FINANCIAL TIMES

French franc
Need for the subtle touch
Samuel Brittan, Page 14

Japanese banks
Why the Fed stepped in
Page 6

Warren Buffett
Piling it high
Book review, Page 14

West Midlands
Industry's heartland
Survey, Section III

World Business Newspaper THURSDAY OCTOBER 19 1995 D8523A

Brussels approves Daimler and ABB railway merger

The European Commission approved the merger of the railway equipment divisions of German industrial group Daimler-Benz, and Zurich-based electrical engineering group, ABB Asea Brown Boveri, which will create the world's biggest company in the sector. Permission was given after the companies agreed to sell Kiepe Elektrik, a Daimler subsidiary that makes electrical fittings for trains and trams. Page 16

French banks raise lending rates: Several of France's biggest commercial banks are raising their base lending rates from 7.9 per cent to 8.2 per cent. The decision comes as a setback to the conservative government and will add to fears about a slowdown in economic growth. Page 4

SAP, the business software company which has been one of the German stock market's best recent performers, continued to grow rapidly in the first nine months of 1995. Pre-tax profits rose 47 per cent to DM385m ($275m), compared with an 80 per cent growth rate in the first half. Page 17; Lex, Page 16

Algerians issue ultimatum to Chirac: Islamic militants fighting a civil war in Algeria want French president Jacques Chirac to sever ties with the country's military rulers, a leading Arabic newspaper reported. The Asharq al-Awsat said the Muslim extremist group, that has claimed responsibility for a wave of bombings in France, had sent Chirac a four-point ultimatum. Chirac ensnared, Page 4; Editorial Comment, Page 15

Sahlin faces credit card probe: Sweden's public prosecutor announced a preliminary investigation of the private use of government credit cards by deputy prime minister Mona Sahlin, prolonging the damaging row over her now suspended campaign to succeed Ingvar Carlsson as prime minister and leader of the Social Democratic party. Page 3

East German spy chief to face new trial:

Germany's Federal Court of Justice overturned treason and bribery convictions against Markus Wolf (left), former head of East Germany's intelligence services. However, the court ordered a new trial to establish whether Mr Wolf had at any time spied on West Germany from countries outside East German territory. The court said spies who carried out their activities exclusively in the former East Germany could not be convicted by a court in united Germany. Page 3

Ford rounded out a generally dismal third quarter for the big US carmakers with a 68 per cent fall in after-tax profits, to $357m. The earnings slump stemmed from falling production volumes and higher launch costs. Page 17

No 'firm proof' in Claes case: A report by a special Belgian parliamentary commission said there was no firm proof of any guilty role by Nato secretary general Willy Claes in a corruption scandal which threatens his career. The Agusta affair, Page 2

Sharp fall in US trade deficit: Strong exports growth prompted a sharp and unexpected decline in the US trade deficit in August. The deficit fell from $11.2bn in July to $8.8bn in August, its lowest level since December. Page 5

African Bank rescue package agreed: African Bank, the black-owned South African bank ordered last month by the Reserve Bank to suspend trading, is to reopen next week after agreement on a rescue package. Page 8

Barings chiefs face probe: Former Barings chief executive Peter Norris faces possible criminal investigation by Singapore authorities along with several former colleagues over the collapse of the UK merchant bank in February. Page 10

USAir, the airline in talks with two potential bidders, swung into profits in its third quarter, giving it two consecutive profitable quarters for the first time in six years. Page 18

Russia rejects draft budget: The Russian parliament rejected next year's draft budget, as an International Monetary Fund mission started formal talks with the government about a three-year loan of up to $15bn to support economic reform. Page 2

US air base to host Bosnia peace talks: Peace talks between the presidents of Serbia, Bosnia and Croatia will be held at an American air base near Dayton, Ohio, On October 31, the US said. US troops for Bosnia criticised, Page 5

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,786.91	(-9.03)
NASDAQ Composite	1,049.93	(+14.49)
Europe and Far East		
CAC40	1,770.66	(-9.06)
DAX	2,194.81	(-6.22)
FT-SE 100	3,593.8	(+30.8)
Nikkei	17,885.97	(-20.63)

■ US LUNCHTIME RATES

Federal Funds	5⅝%
3-mth Treas Bills: Yld	5.288%
Long Bond	107½
Yield	6.308%

■ OTHER RATES

UK: 3-mo Interbank	6¾%	(6⅝%)
UK: 10 yr Gilt	102$\frac{11}{16}$	(102¾)
France: 10 yr OAT	101.85	(101.27)
Germany: 10 yr Bond	102.39	(102.09)
Japan: 10 yr JGB	112.869	(113.599)

■ NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$16.08	(16.11)

■ GOLD

New York: Comex		
(Dec)	$385.9	(386.0)
London:		
close	$383.8	(383.3)

■ DOLLAR

New York lunchtime		
£	1.5685	
DM	1.423	
FFr	4.9855	
SFr	1.155	
Y	100.55	
London:		
£	1.5697	(1.5738)
DM	1.4235	(1.4168)
FFr	4.9895	(4.9687)
SFr	1.156	(1.1481)
Y	100.75	(100.36)

■ STERLING

DM	2.2344	(2.2296)
Tokyo $ close:	Y 99.85	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lw110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Peo50	Switz	SFr3.60		
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00		
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000		
Germany	DM3.60	Lux	LFr70			UAE	Dh12.00		

US bank launches $10bn bid for rival

Wells Fargo offer for First Interstate would create top 10 west coast giant

By Richard Waters in New York

Wells Fargo, the US bank, yesterday launched a $10.3bn bid for its Californian banking rival First Interstate in a rare instance of a hostile bid for a US bank.

A takeover would rival the merger of Chase Manhattan and Chemical Banking as the largest banking combination ever mounted in the US. It would create a bank with assets of $107bn and make Wells Fargo the fifth US bank this year to lift itself into the ranks of the country's 10 largest through an acquisition.

Wells Fargo's offer, made to First Interstate's board yesterday, came after an earlier informal approach had been rebuffed. It is the first hostile bank bid in the US since Bank of New York's successful offer for Irving Trust in 1988 and comes in the wake of a wave of agreed mergers between US banks this year.

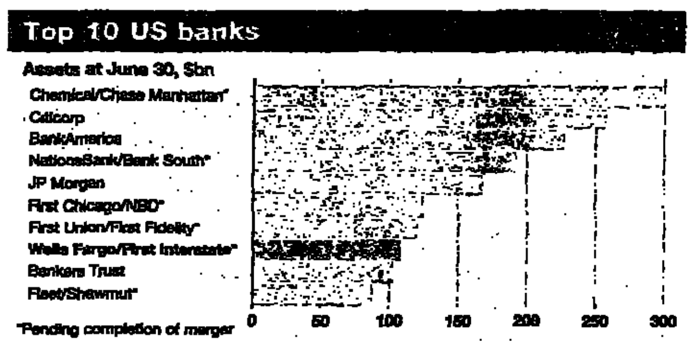
Wall Street has been predicting a hostile bid for some months, prompted by the declining number of big merger partners available. Earlier this year, BancOne made an unsolicited offer – later withdrawn – for Bank of Boston, though that bid was seen mainly as an attempt to break up a merger with another bank.

A linking of Wells Fargo and First Interstate to create a west coast institution better able to compete with BankAmerica has been one of the most talked-about deals on Wall Street this year. First Interstate said it would consider the Wells Fargo offer, along with other options, and "respond when appropriate". Mr William Siart, First Interstate chairman and chief executive, said he was "deeply disappointed that Wells Fargo would take this uninvited action".

Wells Fargo said it had offered 0.625 of a share for each First Interstate share. As the market lifted Wells Fargo's stock to $226⅝ by lunchtime in New York, a rise of 6 per cent, that was worth $141⅝ a share yesterday. First Interstate's shares jumped $33¼ to $139¾.

Top 10 US banks

Assets at June 30, $bn



*Pending completion of merger

Mr Paul Hazen, Wells Fargo chairman, said he had been told by Mr Siart late on Tuesday that First Interstate wanted six months' breathing space to consider whether to merge with Wells Fargo or another bank, or to continue as an independent bank. "I believe they ought to consider it today," he said.

Mr Hazen said it was "premature" to say whether Wells Fargo would make an offer direct to the bank's shareholders if First Interstate rejected its offer.

Wells Fargo had an earlier informal offer, believed to be $88 a share, rejected two years ago. "The last time they put a bid on the table, the stock surpassed it," said one person close to First Interstate. "Management hasn't done such a poor job." He added that the bank would certainly consider the offer, and might seek to negotiate a higher price for an agreed combination. "There's absolutely nobody else we've talked to."

Representing a premium of 25 per cent over First Interstate's market price before the bid was announced, Wells Fargo's bid would be difficult for the bank's board to reject. "They'll create a real powerhouse – it will be a major rival to Bank of America," said Mr George Salem, a bank industry analyst.

Lex, Page 16
Background, Page 17

British hostility concerns European partners

By Lionel Barber in Brussels

Britain's allies in Europe are worried that the conservative party's hostility to the European Union will paralyse next year's intergovernmental conference and create a power vacuum, which will be filled by Germany.

A straw poll of European business and political leaders, conducted after last week's Tory party conference, reveals widespread concern about the direction of UK policy and Britain's long-term position inside the EU.

Several expressed consternation that Mr John Major, the prime minister, applauded a speech by Mr Michael Portillo, the defence secretary, who invoked the spectre of a common European army with harmonised cap badges, working a 35-hour week. Others criticised Mr Malcolm Rifkind, foreign secretary, for propagating the notion that stronger ties with the US through a transatlantic free trade area could offer an alternative to EU integration.

Among the 10 leading Europeans interviewed are Mr Peter Sutherland, former EU commissioner and director-general of the Gatt; Viscount Etienne Davignon, former EU industry commissioner and chairman of Société Générale de Belgique; Mr Uffe Ellemann Jensen, the former Danish foreign minister tipped to become the next Nato secretary-general; Mr Romano Prodi, former head of the Iri Italian state holding company and a possible centre-left candidate for prime minister; Mr Horst Teltschik, a BMW director and former adviser to Chancellor Helmut Kohl of Germany; and Mr António Guterres, the socialist who is due to become prime minister of Portugal next week.

The UK Foreign Office yesterday sought to play down concern that Britain risked becoming marginalised at next year's IGC. Officials said Mr Rifkind had reached a "good measure of agreement" with Mr Hervé de Charette, his French counterpart on institutional questions.

Mr Prodi said, however, that the British were losing sight of the bigger picture in Europe, particularly the need to contain German power inside an integrated Europe.

Mr Gijs de Vries, a Dutch MEP and leader of the Liberal group in the European Parliament, urged Britain to accept the "unique" offer from Mr Kohl to share power in a political union.

Mr Kohl told delegates at this week's CDU conference that economic and monetary integration in Europe was a matter of "war and peace in the 21st century" – if they did not act now, "the ship of Europe will go adrift".

Leading opinions, Page 15

German Chancellor Helmut Kohl (right), pictured with Wolfgang Schauble, the parliamentary head of his Christian Democratic Union, suffered an unexpected setback when the CDU refused to back a plan to allocate a third of party offices to women. Kohl loses quota fight, Page 15 Reuter

Hafslund Nycomed and Ivax plan latest drugs group merger

By Daniel Green in London

The headlong consolidation of the world's pharmaceuticals industry continued yesterday with the announcement that Ivax of the US and Hafslund Nycomed, Norway's biggest healthcare company, plan to merge.

The deal will create what is claimed to be the world's biggest producer of generic drugs – unbranded versions of drugs that have lost patent protection.

The new company, Ivax Nycomed, will have a market capitalisation of about $6.5bn and combined turnover this year "in excess of $2.5bn".

It will rank about 30th in the world in terms of drugs sales and dominate its niches in generic drugs and X-ray contrast agents, drugs injected to make X-ray and body scan images clearer.

Although the merger is a simple one-for-one stock swap, implying a merger of equals, Ivax is the faster growing company and was incorporated only in 1987. In New York yesterday, Ivax shares were trading down $3⅜ at $26⅜ while Hafslund Nycomed American Depositary Shares were up $3⅛ at $31⅞.

Hafslund shareholders will also get shares in Hafslund's energy arm, which is not part of the merger with Ivax.

In contrast with some other recent drug industry mergers, job cuts are not expected to be heavy. This was because the businesses are complementary, said Mr Svein Aaser, Hafslund's president and chief executive.

Although both companies had sales to hospitals in the US, Mr Philip Frost, Ivax's founder and chairman, said the two companies had "almost no" customers in common.

Lehman Brothers, the stockbroker, estimates US generic sales alone as worth more than $6bn, and forecasts the figure will double by 2000. Generics are favoured by healthcare buyers because prices are up to 90 per cent lower than for a patent-protected drug.

Ivax had sales in 1994 of $1.1bn, largely from generic products. Hafslund is also a big generics manufacturer, with its main markets in the Nordic countries and elsewhere in continental Europe.

The pharmaceuticals division accounts for about 40 per cent of sales but less than 20 per cent of profits. But its main product lines are contrast agents, accounting for 40 per cent of sales and more than three-quarters of operating profits.

The merger is likely to increase pressure on other generics manufacturers, such as Mylan in the US and BASF in Europe, to seek partners. It may also increase the competition for other contrast agent suppliers such as Schering, the Berlin-based pharmaceuticals company. If the deal is completed, Mr Frost would become the chairman of the board of the new company and Mr Aaser would be the combined company's president and chief executive officer.

The merged company will have its headquarters in London with a US headquarters in Miami and a smaller base in Oslo.

Lex, Page 16

Intel expected to invest over $1bn in Irish factory

By John Murray Brown in Dublin and Louise Kehoe in San Francisco

Intel, the world's largest semiconductor manufacturer, is expected to invest more than $1bn on expanding its factory in Ireland.

"We are in a very advanced stage of negotiation [with Irish authorities] but no final decision has been reached," Intel said yesterday.

Mr Richard Bruton, the Irish enterprise and employment minister, said he hoped to be able to announce the investment "within a few days". Intel is considering a big expansion of its plant in Leixlip, west of Dublin, where it makes Pentium microprocessors for use in personal computers.

Intel's County Kildare factory, opened in February 1994, is the company's only plant of its type outside the US. Intel has invested $750m in Ireland, creating 2,600 direct jobs at its wafer factory and another plant which puts the chips on to printed circuit boards.

Intel declined to comment on what products might be produced if it moves ahead with plans for the new Irish factory. However, Irish officials said Intel was looking at "a much higher specification of fabrication plant to provide for the year 2000 plus".

This suggests that Intel may be planning to produce in Ireland P7, a high-performance microprocessor chip that it is jointly developing with Hewlett-Packard, the second largest US computer company. P7 is due to be introduced in the late 1990s. It will follow the Pentium Pro, Intel's sixth generation microprocessor, which is expected to be launched next month.

The government provided a grant of I£87m for the existing plant and is understood to be prepared to offer up to I£100m for the potential new investment. This represents a substantially larger support package than normally approved by the Industrial Development Agency, the government body in charge of approving foreign investments.

The new plant could create up to 2,000 jobs, a big boost for a country with the EU's second highest unemployment rate. Although other European devel-

Continued on Page 16

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · LOS ANGELES · TOKYO

NEWS: EUROPE

Tentacles of defence scandal reach out for Claes

Lionel Barber and Robert Graham on a case which strikes at the heart of Belgian politics

Mr Willy Claes has insisted on one last throw of the dice. Today, he has a chance to defy the odds and salvage his job as Nato secretary general.

A former Belgian foreign minister and a leading figure in the Flemish Socialist party (SP), Mr Claes is gambling that a plea of innocence before a closed session of the Belgian parliament will stave off prosecution on corruption and forgery charges. If MPs vote to lift his immunity, he could step down as early as tomorrow morning, according to Nato insiders.

The threat to Mr Claes is the latest twist in the Agusta bribery scandal which has already led to two deaths, one of which was of a Belgian air force general, and the departure of no fewer than four ministers.

The last victim was Mr Frank Vandenbroucke, youthful successor to Mr Claes as foreign minister and former SP president. Mr Vandenbroucke stepped down last March after admitting he had ordered money donated to the SP to be burnt because he could not account for it officially.

The Agusta scandal strikes at the heart of Belgium's cosy coalition politics, which balanced pay-offs and investment to the Flemish north and francophone Wallonia in the south.

It has also raised suspicions that the money laundering fits into a wider pattern of political corruption in western Europe exposed in Italy, and, to a lesser extent, France.

The story begins in late 1988 when Agusta, the Italian state-run helicopter maker, was trying to sell 46 attack and reconnaissance models to the Belgian army. The Italians, it later emerged, sought to secure the contract by paying BFr51m (£1m) to the SP, three of whose most prominent members were Mr Claes, Mr Vandenbroucke, and Mr Karel Van Miert who was about to join the European Commission – he is now competition commissioner.

It remains unclear whether the Agusta "gift" entered party accounts before or after the contract was signed. All parties, therefore, have been able to protest their innocence and blame any transgressions on Mr Etienne Mangé, then party treasurer. But Mr Claes appears to have been undone by inconsistent statements and a selective memory.

First, he was forced to amend his blanket denial that he had known of Agusta's offer of money. His U-turn followed Mr Vandenbroucke's admission that he had discussed payments with Mr Mangé.

The Agusta affair - flying into trouble

The helicopter deal has exposed links between financing of Belgian political parties, among them that of Mr Willy Claes (right), and the Italian Socialists of Bettino Craxi (left)

Second, an official familiar with the Agusta case says the timing of the "gift" is less important than the prior understanding that the award of the Belgian army contract was linked to Italian funding of a subcontract manufacturing operation in Mr Claes's native Limburg, thus creating jobs in a hard-pressed area.

Third, Mr Claes has been tied to a second payment to the SP allegedly made by Dassault, the French aircraft maker, to upgrade F-16 fighters. Investigators believe these payments point to a pattern of corruption which grew out of political parties' dependence on financial contributions from companies which could make donations in return for tax deductions.

The laws have since been tightened, but similar abuse occurred in Wallonia, where the regional Socialist party has ruled almost a one-party state since 1945.

A judicial inquiry led by Mrs Véronique Ancia, an intrepid investigating magistrate from Liège, has uncovered links between the financing of political parties in Belgium and the Italian Socialist party led by the discredited Bettino Craxi.

Agusta caught the attention of Italian magistrates following allegations of corruption surrounding an Italian police helicopter contract that was never completed. This led to the arrest of Mr Roberto D'Alessandro, Agusta chief executive.

The company was part of the political fiefdom controlled by Mr Craxi's party. This Socialist link was reportedly behind the BFr51m payment.

At least part of the negotiations for the Belgian deal were handled by Mr Sergio Castellari, director general of state shareholdings, who died in mysterious circumstances in 1993. His body was found in a field near Rome, a cocked pistol tucked in his trousers and half his head eaten away by wild animals.

Mr Craxi is in self-imposed exile in Tunisia and an international arrest warrant has been issued against him by Milan magistrates on unrelated corruption charges. He has never been questioned about Agusta.

Rome magistrates investigating corruption at Agusta say the case remains open and that they have maintained close contact with Mrs Ancia. They say Agusta operated a multi-million dollar offshore account through which it channelled money to political parties in Europe. Some went to the Flemish and Walloon Socialists.

It was the murder of Mr André Cools, the long-time Socialist party boss in Liège gunned down in front of his mistress in July 1991, which led to Mrs Ancia's original inquiry.

A former Belgian cabinet minister says it is important to draw a distinction between the underworld of Liège and the shadowy figure of Mr Cools and the scandal which has enveloped the Flemish Socialists.

The SP, he says, was perennially short of money in the 1980s. Party officials were permanently vulnerable to the blandishments of defence companies.

One question is why Nato - with supposedly first-rate political intelligence - failed to grasp how vulnerable Mr Claes would turn out to be when he was appointed last September. Mr Claes assured Chancellor Helmut Kohl that there were no problems with his candidacy, thus assuring a heavyweight vote.

The most credible explanation lies in Mr Claes's long relationship with the US, going back to his decision to support deployment of Cruise missiles in the early 1980s against the wishes of his party.

The Belgian parliamentary vote today is crucial; but it may be academic if Washington has already decided to drop its man in Brussels.

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Russian draft budget rejected as IMF loan talks begin

By John Thornhill in Moscow

The Russian parliament yesterday rejected next year's draft budget, as an International Monetary Fund mission started formal talks with the government about a three-year loan of up to $15bn (£9.6bn) to support economic reform.

Wrangles between the government and parliament over the budget have become a regular feature of Russian political life, but they have been given added intensity this year by the approach of parliamentary elections in December.

Deputies voted 138-129 to reject the budget and set up a special commission to scrutinise the draft's main assumptions.

The commission, which will include representatives from both houses of parliament and government officials, met a lukewarm response from the finance ministry.

"The Duma [lower house of parliament] considers it necessary to reconsider the basic figures of the draft budget, taking into consideration a realistic inflation rate and more comprehensive tax collection," the accompanying parliamentary resolution stated.

The lower house of parliament is not due to debate the spending plans again before November 10.

Amid this uncertainty, the IMF yesterday began talks with the government about an "extended fund facility" designed to reinforce the encouraging trends in the Russian economy and provide a longer-term framework for recovery. An agreement would also help clear the way for a rescheduling of Russia's foreign debts, amassed during the Soviet era.

The IMF, which this spring signed a $6.5bn stand-by loan with Russia, has praised the government for the progress it has made towards stabilisation.

Although the monthly inflation rate remains higher than was forecast at the time of the agreement with the IMF, it has been cut from 17.8 per cent in January to 4.5 per cent last month.

The draft budget forecasts the average monthly inflation rate will be reduced to 1.2 per cent next year, which parliamentarians say is unrealistic given the government's forecasts of a budget deficit of 3.9 per cent.

Mr Andrei Illarionov, director of the Institute of Economic Analysis and a long-time critic of the government, said yesterday this year's improvement in Russia's budgetary position was because it had "simply stopped paying its commitments".

"Sooner or later these accumulated debts will have to be paid. This means that the reduction of the budgetary deficit, however much this is laudable, cannot be considered to be stable," he said.

Communist party leader fails to reassure card-carrying capitalists

Mr Gennady Zyuganov, leader of the Russian Communist party, which is leading the opinion polls going into December's parliamentary elections, yesterday launched a charm offensive to reassure foreign investors, writes John Thornhill in Moscow.

Addressing the American Chamber of Commerce, Mr Zyuganov appeared the model of moderation as he called for a more liberal investment regime for foreign companies and the development of strategic interests between Russia and the US.

Mr Zyuganov, a life-long communist who built his reputation by attacking the reformist policies of Mr Mikhail Gorbachev in the 1980s, was evasive when questioned about whether his party favoured renationalisation of privatised companies, although he said he supported a mixed economy.

"If the old gang stays in power you will not have chances to invest. When the new gang comes to power the situation will be very, very favourable," he said in a speech which, at times, appeared at odds with his party's political programme.

As 160 business representatives tucked into their chocolate dessert, Mr Zyuganov recounted his experiences of studying other countries' economies. "I would like to say that ours is a modern party that is not looking back, but into the future, into the 21st century," he said. "We know what prevents you from making investments – many things including first of all, the absence of detailed legislation, taxes, high levels of corruption, and the absence of guarantees about personal safety."

He promised to remove many of these impediments should his party assume more influence. But the audience appeared little the wiser about his party's intentions.

هكذا من الأصل

New estimate puts budget deficit target in doubt

Germany heads for bigger shortfall in tax revenues

By Michael Lindemann in Bonn

Slower economic growth and higher demand for investment subsidies in eastern Germany will cause a shortfall of DM11.4bn ($7.7bn) in 1996 tax revenues, according to the German government's tax forecast committee which reported yesterday.

The DM11.4bn shortfall from the committee's last estimate in May is higher than the DM10bn projected last month by Mr Theo Waigel, the finance minister, and is likely to make it difficult for the government to keep within the planned 1996 budget deficit of DM60bn, analysts said.

In a statement, Mr Waigel said he did not expect to "significantly exceed" the DM60bn budget deficit. He said the government would save money on the management of its debt because of lower interest rates and because several government agencies, including the successors of the Treuhand in eastern Germany, were spending less.

Economists, however, were more sceptical, in part because the tax revenue estimates are based on a nominal gross domestic product growth rate for 1996 of 4.6 per cent, which they say is too high. Mr Holger Fahrinkrug, an economist at Union Bank of Switzerland in Frankfurt, said UBS originally forecast that Mr Waigel would have to manage a 1996 budget deficit of DM65bn but was likely to revise this figure to DM70bn after seeing the tax revenue estimates. "This creates a large amount of uncertainty for the markets."

The opposition Social Democratic party (SPD), meanwhile, said Mr Waigel's forecasts were based on "thin air".

The SPD said the federal government deficit was likely to be short of DM20bn next year because receipts from privatisation would be lower and because the Länder, most of which are controlled by the SPD, would not agree to cuts in unemployment benefit of DM3.4bn, money which Mr Waigel was hoping to save.

The tax committee, which meets twice a year to review tax revenues, said all levels of government would be missing a combined DM26.1bn this year and a total of DM29.4bn next year because of lower revenues. Anticipating the shortfalls, Mr Waigel has ordered spending restrictions at all ministries, demanding that any expenditure over DM1m had to be cleared by the finance ministry.

There was some speculation that the parliamentary approval process for the 1996 budget would have to be started again because of yesterday's tax shortfalls. But officials in Bonn said Mr Waigel was more likely to present revised figures to the budget committee of the Bundestag when its meets on October 26.

EUROPEAN NEWS DIGEST

Brussels pledge on shipyards

The European Commission yesterday promised proposals to allow EU shipyards to file a complaint to Brussels when they believe a non-EU yard has won a contract through unfair pricing. The measures would incorporate the "injurious pricing instrument" included in the OECD shipbuilding agreement to end subsidies in the sector and could only be used against signatories of the OECD accord and non-members of the World Trade Organisation.

If, after investigation, the Commission were to decide there had been unfair competition it could recommend to the Council of Ministers that the third country shipyard be fined, the Commission said yesterday. "If this fine is not paid within 180 days, or no promise to pay is made, then the instrument allows the Commission to prevent the ship concerned, and any other ships built by the same shipyard, from loading and unloading at EU ports for a period of up to four years."

AFX, Brussels

Brussels urges better gas system

The European Commission yesterday called for better integration of the EU's gas system so that security of supply could be enhanced. "The integration of the Union's gas system is essential," the Commission said, pointing out that although the EU grid was largely integrated, a number of new interconnections would improve the delivery of North Sea and Dutch supplies "in the event of an interruption of Russian and/or Algerian gas supplies".

In its first detailed analysis of the EU's gas supplies, Brussels found the EU could sustain an interruption of supplies from Russia for nine months and from Algeria for 20 months. If both were cut off the security period would be almost five months. "Supplies have to be made more widely available, particularly in a crisis, given that 80 per cent of the EU's gas reserves come from the Netherlands and the North Sea," it said.

Caroline Southey, Brussels

E German spy chief wins case

Germany's Federal Court of Justice yesterday overturned the treason and bribery convictions against Mr Markus Wolf, the former head of East Germany's intelligence services. However, it ordered a new trial to establish whether he had at any time spied on West Germany from countries outside East German territory. Mr Klaus Kutzer, the presiding judge, confirmed an earlier decision by the Federal Constitutional Court which last May ruled that spies who had carried out their activities exclusively on the territory of the former East Germany could not be convicted by a court in united Germany.

That judgment had in turn overruled a decision by a court in Düsseldorf, which in 1993 had convicted East Germany's most famous spymaster of treason and bribery.

Defence lawyers at the time had argued that since Mr Wolf, 72, had spied for and from a state which no longer exists it would be difficult to judge him before a court in a country of which he was now a citizen.

Judy Dempsey, Berlin

Vote set to go against Mancuso

A no-confidence motion against Mr Filippo Mancuso, Italy's justice minister, looked certain to be approved as the debate got under way yesterday in the Senate. A vote on the motion, brought by the centre-left parties which support Mr Lamberto Dini's government, is due today. The minister, a former judge, asked for three hours to defend himself against charges that he was undermining the judiciary by calling politically motivated inspections. He has been given 60 minutes.

Mr Mancuso has vowed to fight moves to force him to resign and the outcome risks undermining the government. Mr Dini, the prime minister, met him yesterday for more than an hour in the hope of persuading him to step down if the motion is passed.

Robert Graham, Rome

Ferruzzi media sale is approved

Italy's anti-trust authority yesterday gave the go-ahead for Mr Vittorio Cecchi Gori, the film distributor and producer, to buy Telemontecarlo (TMC) from the Ferruzzi group. The sale, part of the Ferruzzi group's rationalisation following its collapse in 1993, was agreed in August.

The anti-trust authority's approval marks one further stage in the ambitions of Mr Cecchi Gori to become the "third force" in Italian television. He first entered the Italian TV scene in March by purchasing Videomusic, the small specialist music channel from the Marcucci family. Mr Cecchi Gori is also a senator in the ranks of the Popular party, formed from the former Christian Democrats.

TMC last year had advertising revenues of L75.5bn ($47m), equivalent to 2.12 per cent of the national market, which remains dominated by the three channels of the Rai state television network and the three channels of Mr Silvio Berlusconi's Fininvest.

Robert Graham

Finnish leader's east-west plan

Finland's President Martti Ahtisaari yesterday proposed a formal dialogue between the US, the European Union and Russia, aimed at building a new security order in Europe.

In a speech to the Royal Institute of International Affairs in London, he also called for a start in building a "transatlantic economic space" to reinvigorate the relationship between the EU and North America. Mr Ahtisaari, whose country is a newcomer to the EU and a long-standing trading partner with Moscow, said: "I would like to see a permanent political dialogue, featuring summits and other relevant arrangements."

Stressing the need to incorporate Russia, he said: "Trade liberalisation should not end where Europe turns into Eurasia." He added: "Russia should be fully integrated into the multilateral trading system." While acknowledging that "there is a temptation in Russia to take nationalism to extremes", he said the west should "show understanding" of the historic changes under way.

Bruce Clark, London

Funding agreed for high-tech EU research

By Emma Tucker in Brussels


Cresson: proposal backed

The European Commission yesterday agreed that four high-technology research projects should receive extra financial backing.

They agreed that an Ecu700m ($889m) reserve in the EU budget be released for work on "new generation" aircraft which are more efficient to produce and more environmentally friendly; educational multimedia software; zero or low emission cars; and environmental water-related technologies.

But although the Commission backed the proposal by Ms Edith Cresson, the French commissioner responsible for research, securing payment of the money, extra money depends on approval by the Council of Ministers, which has to approve unanimously any increase in the budget ceiling for research.

Countries such as the UK will demand detailed explanations of why these particular projects have been chosen.

The existing research budget is Ecu13.16bn for all research to be financed by the Commission until 1998 – Ecu12.3bn agreed in December 1994, later increased to take account of enlargement.

Ms Cresson, who has sought to give European research efforts a higher profile by streamlining work into "task forces" and warning that Europe must keep abreast of research in the US, will make a formal proposal to research ministers for the extra money at the end of the month.

She argues that the EU's competitors are preparing to strengthen their competitiveness by focusing funding on key areas and that further money is needed in Europe to allow the core task forces to continue their work.

For example, her officials point out that the trend emerging in the US is to produce aircraft which are efficient to operate, safe and more environmentally friendly. They say only the industries capable of producing such aircraft will be able to compete.

Another concern is that Europe falls well behind the US in the market for educational multimedia software. "There are three computers to every 100 pupils in France as against 11 in the US," points out an official document.

The task force devoted to water-related environmental technologies comes in response to global climate change, with a view to developing ways of better controlling water as a resource.

Other task forces – which have not been singled out for the extra funding – are working on train and railway systems of the future, vaccines for viral diseases and the ship of the future.

Sahlin's PM candidacy in doubt

Swedish deputy faces card probe

By Hugh Carnegy in Stockholm

Sweden's public prosecutor yesterday announced a preliminary investigation of the private use of government credit cards by Ms Mona Sahlin, the deputy prime minister, prolonging the damaging row over her now suspended bid to succeed Mr Ingvar Carlsson as premier and leader of the Social Democratic party.

Ms Sahlin welcomed the move, saying she was confident the prosecutor's probe of potential criminal breach of trust or fraud would find there was no case to answer. The prosecutor's office acknowledged it was proceeding on the basis of a "low level of evidence".

Mr Carlsson, who is to retire next March, also rallied strongly to Ms Sahlin yesterday, saying he continued to have political confidence in her. "I believe Mona Sahlin is an unusual and talented politician. She is knowledgeable, capable, strong and courageous," he said.

But the prosecutor's investigation will take at least a month to conclude. It may not be clear until late December whether any charges will be levelled against Ms Sahlin following revelations that she repeatedly used government credit cards for private purchases and often took months to repay the debts.

Even if no charges are brought, it is far from clear that Ms Sahlin will survive as a potential candidate. An opinion poll published yesterday in the pro-Sahlin newspaper Aftonbladet, taken a day after she made a spirited televised defence of her actions, showed 60 per cent of the electorate no longer believed she was a suitable person to be prime minister.

Her credibility has been sorely damaged especially within the Social Democratic party, the creator of Sweden's welfare state and an upholder of strong moral standards. Many party members who work in the public sector earning a quarter of Ms Sahlin's salary are shocked by her use of public funds to buy clothes and holidays – even if she paid them back later.

The affair has wrecked the leadership's plans for a smooth succession. If Ms Sahlin is not restored, the likeliest candidate is Mr Jan Nygren, the low-profile minister for government co-ordination.

The business community would like Mr Göran Persson, the finance minister, to step forward. But there is a possibility that strong factions in the party upset by the government's pro-European Union and tough budget policies will reopen their campaign for a leftwing candidate. Their favourite is Ms Margareta Winberg, the agriculture minister.

French banks raise rates as doubts grow

By John Ridding in Paris

France's biggest commercial banks yesterday announced that they were raising their base lending rates, in a move which will add to fears about a slowdown in the French economy.

The banks, which included Crédit Lyonnais, Société Générale, Banque Nationale de Paris and Crédit Commercial de France, said they would raise their base lending rates from 7.9 per cent to 8.2 per cent, most with effect from today.

The move follows an increase in French market interest rates and a key official interest rate over the past few weeks as investors have expressed concerns about French economic policy, and about the conservative government's ability to achieve its deficit reduction targets.

Last week, the Bank of France raised its 24-hour lending rate from 6.15 per cent to 7.25 per cent in an attempt to defend the French currency, which had fallen sharply to FFr3.53 to the D-Mark. On Monday, following a recovery in the currency, the central bank trimmed the 24-hour rate to 7 per cent. But French financial markets and the franc have remained fragile.

Yesterday, the franc lost more than one centime against the D-Mark to trade at about FFr3.52. A rise in the dollar, however, helped erase most of the losses and the French currency closed at FFr3.5080 to the D-Mark in Paris.

Economists said the rise in base rates was partly a technical measure which reflected the increase in market borrowing costs. But they warned it could damage business confidence and would fuel investors' fears that the defence of the franc is obstructing growth. "It might indicate that banks think interest rates are likely to stay high for some time," said one economist.

The government and most economic forecasts have already edged growth forecasts for the year downwards. Last week, Insee, the national statistics office, predicted that gross domestic product would expand by 2.9 per cent this year, compared with an earlier estimate of 3.1 per cent.

France's conservative government, led by Mr Alain Juppé, the Gaullist prime minister, has based its forecasts for next year's budget on 2.8 per cent growth.

On Tuesday, Mr Jean Arthuis, the finance minister, told the National Assembly budget debate that the government had taken a slowdown in economic growth into account in its budget calculation and that it was confident of achieving its target of cutting the public sector deficit to 3 per cent of GDP by 1997.

The reduction is necessary to satisfy the conditions for European monetary union. To achieve this objective, the French government is also seeking to eliminate the FFr60bn ($11.8bn) social security deficit by 1997.

Mr Juppé has launched a debate on measures to curb welfare spending, but some proposals, such as a planned increase in the daily contributions paid by hospital patients, have already drawn opposition from unions. Financial markets remain sceptical of the government's ability to cut spending in the face of union pressure. They also reacted badly earlier this week to a press report that Mr Arthuis had been linked to an investigation into alleged illicit financing of his Social and Democratic Centre grouping. Mr Arthuis has firmly denied the report.

Some economists have also questioned the speed with which the Bank of France moved to trim the 24-hour rate on Monday. "The franc was not out of the woods, and it seemed a bit precipitate," said an economist at one merchant bank.

Shifting Chirac ensnared in Algerian web

Bomb attacks on French cities have deepened a policy dilemma, write **John Ridding** and **Roula Khalaf**

The wave of terrorist assaults which has shaken French cities since the summer shows that France has become ever more involved in the bloody civil strife in its former colony, Algeria.

The blast on the Paris metro on Tuesday was just the latest in a series of attacks which has prompted a growing domestic and foreign policy dilemma for the conservative government and Mr Jacques Chirac, the Gaullist president.

Mr Alain Juppé, the prime minister, told the national assembly after Tuesday's bomb that France would remain firm in its fight against terrorism and would not interfere in Algeria's internal affairs.

But as Mr Chirac prepares for a planned meeting with Mr Liamine Zeroual, the Algerian president, in New York on Sunday or Monday, the Armed Islamic Group (GIA), the most radical wing of Algeria's Moslem militants, yesterday demanded he cancel the meeting and cut off economic support to the Algiers government. The Islamic Salvation Front (FIS) said: "It is flagrant interference. He is aligning himself with the authorities."

Mr Chirac is under mounting pressure to reassess France's stance towards Algeria but the militants' fierce reaction to the planned meeting, the threat of further attacks in the run-up to Algerian presidential elections next month, and emerging domestic criticism of France's handling of the crisis show how little room for manoeuvre the French government has to disentangle itself from the conflict.

At the heart of Mr Chirac's dilemma is a contradiction in French policy that he inherited from the presidency of Mr François Mitterrand and the former conservative government in which Mr Juppé was foreign minister.

Since the outbreak of the violence in Algeria in 1992, after the cancellation of general elections that the FIS was poised to win, France has provided financial and diplomatic support for the military-backed Algiers government.

While maintaining even in private that the government wants to see a negotiated end to the Algerian conflict, the French government that took office this year has continued to support Algeria's military-backed government.

With Algiers starved for cash, this year presented the best chance for the west to affect developments there. But calls for linking aid to a search for a political settlement were ignored and France was the main force behind the International Monetary Fund's decision to agree a $1.8bn three-year credit facility for Algeria in May.

France was again the strongest voice pushing for the rescheduling of $7bn of Algerian debt owed to the Paris Club of official creditors this summer. Algerian officials insist that the FFr6bn ($1.2bn) in yearly French credits to Algeria are also going ahead as scheduled.

French president Jacques Chirac gesturing to reporters during a meeting at the Elysée palace earlier this week, with National Assembly president Philippe Séguin behind him AP

Behind this stance has been a desire to prevent the emergence of a fundamentalist Islamic regime and the risk of a flood of refugees into France. But it has increasingly brought France into the firing line of Moslem militants seeking to topple the Algiers government.

Mr Chirac's response has been twofold – a security clampdown in France and an emphasis on the need for dialogue and democratic reforms in Algeria.

The French president said that he would urge Mr Zeroual to move towards "real democracy" by opening a dialogue with Islamic and secular opposition parties that are refusing to participate in the presidential elections next month. He denied his planned meeting with the Algerian president, which was at Mr Zeroual's invitation, indicated support for the much-criticised presidential poll next month.

"I have no intention of interfering in Algeria's internal affairs but it is my duty to tell President Zeroual that the only possible solution is political, based on dialogue with all those in Algeria who reject the violence," Mr Chirac said in Madrid last week. "The essential step is to constitute a majority in Algeria by holding democratic parliamentary elections as soon as possible."

Experts on Algeria say the French government missed an opportunity to push for a negotiated settlement which could have included both the secular and Islamic opposition last January. Algeria's main opposition parties, including the FIS, met in Rome and drew up a peace platform which committed the FIS to democratic principles and provided for a phased solution involving a coalition government and eventual elections.

Although some French diplomats admitted at the time that this was the only possible solution for Algeria – since it involved an alliance of secular and religious parties and redefined the platform of the FIS – once the Algerian government rejected the proposal, France stayed out of the debate.

Meanwhile, Algerian policy has emerged as a sensitive domestic political issue. The common stance of France's main political parties is showing signs of crumbling. Mr Lionel Jospin, the Socialist leader, has criticised the meeting between Mr Chirac and Mr Zeroual. "It is incomprehensible and very unfortunate," said Mr Pierre Mauroy, the former Socialist prime minister.

Failure to stop the attacks in France has prompted increased public anxiety and criticism of Mr Jean-Louis Debré, the interior minister. Some police trade unions have also grown restive about the government's stance. "Is it really wise to take sides so clearly?" asked an official of the SGP, the biggest police trade union, referring to the meeting with Mr Zeroual.

Western partners have urged France to support pressure for democratic reforms as the only means of a long term solution to the Algerian crisis. Some diplomats say that it would be a positive step if Mr Chirac pushed Mr Zeroual towards democratic reforms.

But they warn that the meeting between the two presidents could be counter-productive. "France may have dug itself in too deep," says one western diplomat. "The more it struggles to escape the worse its predicament becomes."

Editorial comment, page 15

Brussels backs do-little approach to zoos

By Caroline Southey in Brussels

Zookeepers across Europe can sleep easier following a decision by EU commissioners yesterday that setting compulsory EU-wide standards for animals in zoos was a step too far.

The commissioners threw out the idea that the EU's single market was endangered by the fact that some zoo operators were less scrupulous than others. They agreed instead that a non-binding resolution on the issue was sufficient.

"This really is at the end of the scale," said one EU official. "It is obviously 'spot the popular issue' time." The case for intervention from Brussels has been made on the basis of single market regulations rather than on environmental or animal welfare grounds.

"The issue is surely not a matter of the internal market. It is impossible to see why it is critical that the dimension of cages needs to be the same," said one official.

"What is the logic of talking about the free movement of animals in zoos when they are locked in cages?" said another.

Some EU officials were angry that the issue had been brought before commissioners at all. "There are some really serious environmental issues we have to deal with and what do we get? Harmonising zoos," said one official.

He listed a number of weighty problems facing the EU, such as the possibility that the next round of the General Agreement on Tariffs and Trade could address the issue of how environmental issues are distorting trade.

"We cannot afford to be complacent," he said. "But there does not appear to be any logical sequence in what is coming out of the Commission at the moment."

The zoos idea, backed yesterday by Mrs Ritt Bjerregaard, the EU commissioner for the environment, is one on which the European parliament has been badgering the Commission for five years.

Mrs Bjerregaard, in a paper presented to commissioners, argued that the "proper functioning of the single market requires that differing conditions for the keeping of wild animals in zoos do not lead to trade deviations in favour of the least scrupulous operations". She said there was evidence that member states wanted to "better protect animals by strictly regulating trade".

She pointed out that several member states had not adopted regulatory measures for zoos while European "legislation concerning similar questions has been developed (such as the transport of farm animals)".

The parliament had "repeatedly expressed a strong wish for a directive" and said that recent studies had shown that the public was "more and more concerned with animal welfare".

Clinton may tap pensions to avoid default

By George Graham in Washington

The Clinton administration may have to dip into government pension funds in order to avoid defaulting on its obligations when it bumps into the legal ceiling on US government debt early next month.

The threatened collision with the debt ceiling seemed yesterday to be averted when the White House accepted a suggestion from Mr Newt Gingrich, the Speaker of the House of Representatives, for a temporary increase in the debt ceiling to expire on November 14.

But Mr Gingrich promptly retracted his offer, accusing Mr Robert Rubin, the Treasury secretary, of using "Hallowe'en scare tactics" in warning that the US would hit the debt ceiling at the end of this month.

In case the collision does occur, government lawyers are examining the legality of redeeming securities held by the Social Security and civil service retirement trust funds as a way of keeping total government debt under the legal limit of $4,900bn.

This step has never been taken in previous crises when the government ran up against its debt ceiling, and would look dangerously like a raid on pensioners' money.

But some US government officials say it would be a legally justifiable option and preferable to a failure to pay up on monthly pension cheques or interest payments. "Given the choice between default and disinvestment, you'd probably choose disinvestment," said one US official.

Like steps taken by the Treasury earlier this week to cut government short term borrowing and suspend sales of special securities to state and local governments, the trust fund option is part of a complex political poker game most officials expect will end in a comprehensive budget deal.

Within the overall US budget, several sources of revenue are earmarked for specific trust funds, including the social security pension scheme, the Medicare health programme and road and airport construction accounts. Their combined surpluses total around $1,300bn.

Although these are not set up as protected funds in the same way as a corporate retirement plan, they are credited with special interest-bearing government securities, which count against the debt ceiling.

At least six times in the 1980s, the Treasury helped to postpone a debt ceiling crunch by underinvesting these trust funds – allowing incoming revenues to build up as cash balances, instead of immediately putting them into interest-bearing securities.

Once, in November 1985, the Treasury went a step further by redeeming securities held by the trust funds a few days early in order to meet benefit payments. But it has never exchanged trust fund securities for cash purely as a way of managing its way around the debt ceiling.

Government officials suggested that in a pinch, the Treasury might find it politically preferable to disinvest in this way from the civil service retirement trust fund, rather than from the social security trust fund with its millions of beneficiaries.

The debt ceiling no longer has the crucial role of controlling aggregate government spending that it had before the enactment of new budget rules in 1974, but it is still Congress's most potent weapon in a budget battle with the administration.

A temporary increase lasting until November 14 would expire at the same time as temporary legislation enacted last month to allow government departments to continue paying operating expenses, which are covered by 13 separate annual appropriations bills.

It would also coincide with the expected passage of a sweeping budget reconciliation bill that rolls the Republicans' tax cuts, Medicare and Medicaid reforms and a host of other spending measures into a plan intended to bring the federal budget deficit to zero in 2002.

David Pilling on peculiar payments that led to inquiry into an Argentine computer contract

Dead man's cheque bounces into IBM probe

When a pizza-parlour waitress and a dead man were traced as the supposed beneficiaries of very large cheques issued by an Argentine computer systems company, alarm bells went off at the inland revenue service.

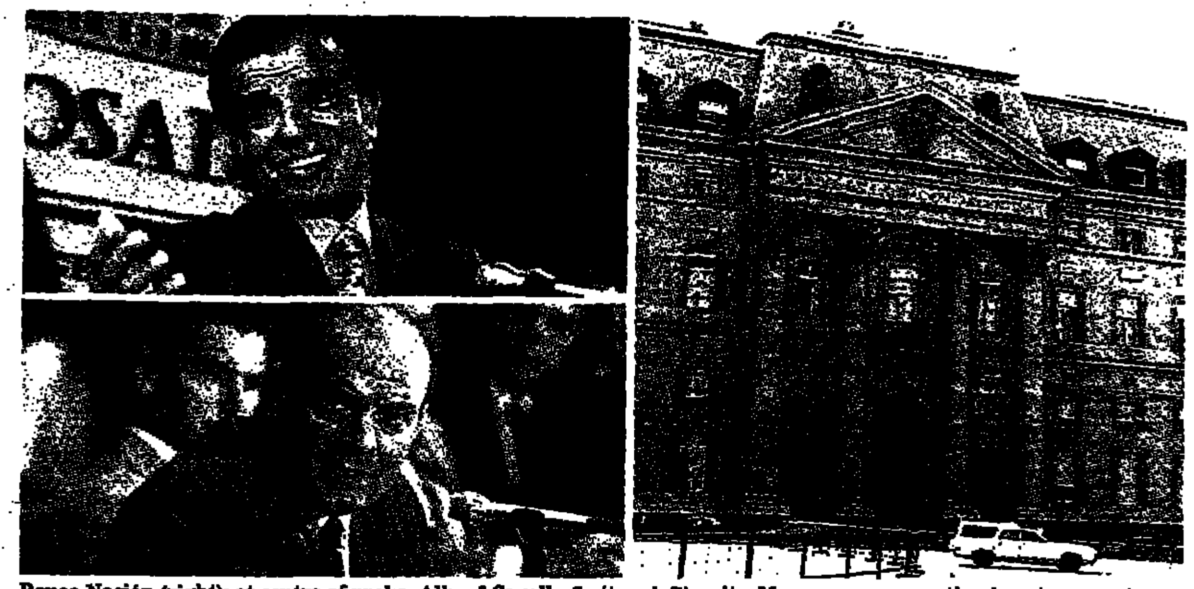
The waitress denied ever having received cheques from CCR, the computer systems company, while the other supposed beneficiary died in 1991 and was therefore not alive to cash the $760,000 which the company said it paid him last year.

But what began as a simple case of suspected tax evasion became even more newsworthy when it was discovered that $10m paid to CCR, by none other than IBM Argentina, the subsidiary of International Business Machines, apparently found its way into a Swiss bank account.

The paper chase leading from IBM Argentina, via CCR, to Zurich is now the subject of an investigation by federal judge Mr Adolfo Bagnasco. Mr Bagnasco, who has hinted that prosecutions may follow, is examining allegations that bribes could have been paid to secure a $249m computer systems contract at state-owned Banco Nación, Argentina's largest bank.

The inquiry, which may broaden out to include other computer systems contracts awarded by the state in recent years, highlights the risks of doing business in a country that still has a reputation for less than transparent business practices. "In a country like Argentina, where there is such a whiff of corruption in the air," says one foreign executive, "it is pretty easy to make anyone look corrupt."

IBM is hoping that its swift action in sacking three executives, including the president of IBM Argentina, will help to ensure that it escapes such insinuations. "In the long run, this will not damage the image of IBM in Argentina, gained through 72 years of impeccable ethics," says Mr Mariano Botas, IBM's local spokesman.



Banco Nación (right): at centre of probe. Ally of Cavallo (bottom left) quits. Menem says corruption is not rampant

The US company, which won the Nación turnkey contract in March 1994, indirectly hired CCR through Consad, another local computer group, to provide a back-up service in case of difficulties in installing the first-choice system. Officials have admitted that the contracts involving Consad and CCR, were "highly unusual", mainly because $21m was paid in advance for a back-up service that, in the event, was never required.

These contracts, described by Mr Wilmer Guecaimburu, newly appointed head of IBM Argentina, as the product of "a grave and unacceptable management decision", are still the subject of an internal investigation. In the meantime, the company has suspended its contracts with CCR and Consad, and has not ruled out taking legal action against them.

The IBM investigation, conducted by a team sent from the US, found evidence of a serious breakdown in management controls, but has so far ruled out any illegal activity. "If you're asking me were bribes paid by IBM officials to win the Nación contract, the answer is no," says Mr Fred McNeese, director of international public relations. "It is our position that IBM won the BNA contract because it was the most qualified company."

At Banco Nación, heads have also rolled. The bank's president, a close ally of Mr Domingo Cavallo, economy minister, quit in September along with three senior executives, saying they needed time to clear their names.

Earlier this month, Argentina's auditor-general confirmed suspicions that the Banco Nación contract "was not carried out according to the legal and statutory norms".

The whole truth of what went on in the case will only be known, if ever, when Mr Bagnasco has finished his investigations. But, according to financial weekly El Economista, "the Banco Nación-IBM affair has placed the issue of corruption right back in the public spotlight".

The issue had already been well aired with spectacular allegations in August by Mr Cavallo that his economic reforms were being sabotaged by "mafias" operating in league with government officials. That verbal assault triggered a series of corruption allegations, such as that against a Peronist deputy who was accused of taking bribes from a lobby group.

President Carlos Menem has reacted strongly against suggestions that illicit practices remain rampant both within the state and in the business culture at large. He argues that by privatising almost all state companies, where corruption had been endemic, he has restricted the terrain in which graft once flourished.

Testimony from foreign businessmen partly bears Mr Menem out. "Although corruption still does exist it has got immeasurably better. It's like a different world," says the head of a previously state-owned utility. When his company took over an Argentine utility, it inherited a series of irregular contracts, including one for the annual hire of six vehicles at a cost of $900,000. Staff entrusted to weed out such abuses found themselves the object of death threats.

However, privatisation does not remove the interface between the private sector and the state bureaucracy, where corruption still festers, opposition politicians argue. Frepaso, a centre-left alliance, this month swept to victory in Buenos Aires' senatorial elections largely by campaigning on the issue of government ethics.

Mr Christopher Ecclestone, a Buenos Aires-based analyst, agrees that abuses have not been stamped out. In the private sector, he says, companies often employ "intermediaries" or "fixers" to bypass Argentina's sometimes maddening bureaucracy. Their tasks can be as simple as paying bribes to petty officials, but they can soon find themselves offering large kickbacks in return for contracts.

"There's a network of banks, lawyers and accounting firms that ease the path of big companies," says Mr Ecclestone. "The intermediaries grease the way and the companies say they know nothing about it. Often they really don't know," he says. "It's a case of see no evil, hear no evil."

Sharp decline in US trade deficit

By Michael Prowse in Washington

Robust growth of exports prompted a sharp and unexpected decline in the US trade deficit in August, the Commerce Department said yesterday.

The deficit fell from $11.2bn in July to $8.8bn in August, its lowest level since December. The drop reflected a 3.7 per cent increase in exports from July to $65.7bn, a record in cash terms. Strength of exports was concentrated in capital goods and cars. Imports were unchanged at $74.6bn, reflecting the sluggish growth of US consumer demand.

The dollar edged higher on the figures which contrasted favourably with Wall Street projections of a deficit of just under $11bn. The unexpectedly low drag from trade will lead to higher estimates of economic growth in the third quarter.

The sharpest improvement regionally was in trade with western Europe. The bilateral deficit with the European Union dropped to $494m against $2.7bn in July. The deficit with Mexico fell to $1.1bn, the lowest since January. The deficit with Japan fell only slightly to $5.1bn.

Many economists believe the monthly trade deficit has either peaked for this business cycle, or is close to its peak. The deficit increased rapidly until this spring mainly because the US was growing much faster than its trading partners. With the US expansion moderating, the growth differential is expected to decline, allowing a stabilisation of external trade.

There is already tentative evidence that growth of exports is overtaking that of imports. In the first eight months of this year, exports of goods grew 15.7 per cent relative to the same period last year. Imports of goods rose 15.4 per cent. The deficit for the year to date was $82.1bn against $70.1bn in the same period last year.

Japanese surplus, Page 6

Aristide wavers as split poses a threat to tattered Haiti economy

By Canute James in Kingston

Sharp differences over privatisation have split the Haitian government of Mr Jean Bertrand-Aristide and are threatening the release of more than $1bn in foreign aid to the weakest economy in the Americas.

The sell-offs of nine state enterprises are central to an economic programme of deregulation agreed with international financial institutions, bilateral and commercial creditors.

Under pressure from those in the cabinet and legislature opposed to privatisation, Mr Aristide has dithered on the issue. Last week this led to the resignation of Mr Smarck Michel, his prime minister, who said he was not getting the support from Mr Aristide he needed to carry out the sell-off programme. His decision to quit came after Mr Aristide apparently refused to mediate in a cabinet row on the issue.

The president of the senate has confirmed Mr Michel's resignation, but he will stay in office until a successor is appointed by Mr Aristide, who has yet to say whether he has accepted or rejected Mr Michel's resignation.

Faced with objections from cabinet colleagues Mr Michel felt it necessary to visit the US to seek "clarification" from donors and lenders, but the changes he was able to make were not enough to appease local concerns. The nine enterprises listed for divestment include a flour mill, the electricity and telephone companies, the cement factory and airports and seaports.

Mr Aristide has yet to decide whether he will support the divestment. He had earlier indicated little enthusiasm, but said a fortnight ago that the programme was necessary. Concern about a negative public reaction restrained him in last week's cabinet debate when Mr Michel was criticised, but the president told supporters at the weekend that difficult days were ahead for Haiti.

Mr Aristide's supporters control the legislature after protracted and controversial parliamentary elections which started in late June. His term ends in February, and he is barred by the constitution from standing for a consecutive term in the president election due in December.

The president's apparent reluctance to push through unpopular measures is said by the Haitian political opposition to be influenced by his longer-term plans. He intends to stand for the presidency again in 2000, and does not want to damage his standing now with Haiti's majority poor by taking unpopular decisions.

There is, however, increasing foreign pressure on Mr Aristide to carry through the divestment and complete the structural adjustment of the economy.

"The support of the international financial institutions for economic reform and progress in countries around the world has always been conditioned on measures to ensure that the money is able to be put to good use and is not simply wasted," said Mr Al Gore, the US vice-president, who visited Haiti at the weekend for ceremonies marking the anniversary of Mr Aristide's reinstatement and ousting of the military junta.

Public disapproval of the divestment of state enterprises is based on the widespread patronage which they provide. Inflated wage bills pay for work not done. Service from the utilities is poor. But divestment will bring redundancies and increase unemployment which is officially at 60 per cent, argue opponents.

While the arguments rage, Haiti's tattered economy continues to sink. Per capita income last year fell 30 per cent to $220. Although some foreign investors have reopened plants since Mr Aristide's return, assembling garments and electrical appliances, most are awaiting a clear political direction, and the presidential election, before committing themselves.

US troops for Bosnia under fire

By Jurek Martin in Washington

Members of the House of Representatives yesterday picked up the baton from their Senate counterparts in sharp questioning of the Clinton administration's plans to send US troops as part of a Nato Bosnian peace settlement force.

Congressman Floyd Spence, Republican chairman of the national security committee, openly doubted that US national interests were at stake in Bosnia and was fearful that "mission creep" would inevitably affect US forces in the Balkans as it had in Somalia in 1993.

Congressman Ron Dellums, the senior Democrat on the committee, was more sympathetic to the administration team – the secretaries of state and defence and the chairman of the joint chiefs of staff – but still warned that "finding non-military mechanisms" to bring about an end to the conflict was preferable.

Both congressmen and senators have conceded that this opening round in the Bosnian debate has been hamstrung by the lack of a peace settlement. Mr Warren Christopher, the secretary of state, was at least able to announce yesterday the Bosnian "proximity" talks would begin at the Wright-Patterson air force base in Ohio at the end of this month.

Senator John McCain, the Republican from Arizona, conceded yesterday that it was "possible" that Congress might approve a US deployment once details of a settlement were known. But he also said the administration would be guilty of "a tragic misjudgment" if it thought it could send US troops without congressional authorisation.

Mr Christopher repeated in his testimony that no such constitutional requirement existed, though President Bill Clinton would "welcome" the backing of the legislature.

General John Shaliskashvili, chairman of the joint chiefs, also conceded that "strictly from a military point of view, European Nato forces are capable of carrying out this mission." But he warned its job would be harder and Nato's credibility as an alliance would be severely strained.

Doubts were expressed over the ability of the US to extricate itself after one year if conditions on the ground remained unstable. Mr Spence said "no meaningful exit criteria" had yet been defined.

See Observer, Page 14

International mediators yesterday kept up efforts to push forward the peace process in former Yugoslavia as fighting continued in north western Bosnia despite a US-brokered ceasefire, Laura Silber reports from Zagreb.

Mr Richard Holbrooke, senior US envoy, his Russian counterpart Mr Igor Ivanov and Mr Carl Bildt, the EU mediator, yesterday flew to Sarajevo for meetings with Bosnian officials. Earlier they met President Slobodan Milosevic of Serbia in Belgrade.

Mr Holbrooke said in Sarajevo the Bosnian and Serbian governments had agreed to establish liaison offices in their respective capitals – a small step towards diplomatic recognition. He acknowledged the widespread ceasefire violations and indicated he would speak bluntly to Croatia on the subject.

Tokyo to press US on military bases

By William Dawkins in Tokyo

Mr Tomiichi Murayama, Japanese prime minister, is expected to ask President Bill Clinton to reduce the US military presence in the southern island of Okinawa when the two meet in Japan next month.

Mr Koken Nosaka, chief cabinet secretary, said yesterday Mr Murayama would "have to" make such a proposal because of the outcry provoked by the alleged rape last month of an Okinawa schoolgirl by three US servicemen.

This is the closest Tokyo has come to calling for reductions in the 44,000 US troops based in Japan, the foundation of Washington's 100,000-strong military presence in Asia. Of that total, 24,000 are stationed in Okinawa, where the US has had a base, including three-quarters of its facilities in Japan, since the end of the second world war.

Mr Murayama's plans to raise Okinawa at the US-Japan summit will perturb diplomats on both sides, who were hoping *to use the occasion to* emphasise the strength of the US-Japan security alliance.

A US Defence Department report early this year describes the alliance with Japan as fundamental to counterbalancing *Chinese military power* and territorial ambitions, and providing insurance against instability on the Korean peninsula.

The Japanese Defence Agency is working on a parallel paper, *its first defence policy review in nearly 20 years.* The latest draft calls for stronger security co-operation with the US and a smaller, better equipped Japanese military.

Mr Murayama's plans are likely to perturb diplomats Associated Press

The Okinawa incident has overshadowed security policy, to government officials' consternation. *It has aroused more* widespread distrust of Japan's US links than previous misdemeanours by US troops, Japanese officials say.

Suspicion of the US has further been aroused by allegations that the Central Intelligence Agency spied on Japanese negotiators at last spring's trade negotiations on access to Japan's car market.

Embarrassment on both sides deepened yesterday with more allegations by NBC, the US television station, that the CIA had bugged a Japanese trade envoy's phone shortly before last year's summit between Mr Clinton and former Mr Morihiro Hosokawa, the former prime minister.

Tokyo has asked the US government for an explanation of both charges. The US State Department has promised it will investigate the car trade talks allegations.

Kim rejects meeting with Murayama

By John Burton in Seoul

South Korea's President Kim Young-sam yesterday rejected a proposed meeting on Sunday with Mr Tomiichi Murayama, Japanese prime minister, at the United Nations, in protest at recent controversial remarks by Tokyo officials about Japan's colonial rule of Korea, according to the foreign ministry in Seoul.

South Korea's ruling party also postponed a conference with Japanese MPs scheduled for early November, in another sign of the growing diplomatic row between the two Asian neighbours. A visit by Mr Yohei Kono, Japanese foreign minister, to Seoul next month may also be stopped.

Mr Murayama angered Seoul last week by suggesting Japan's annexation of Korea in 1910 was legally valid. Korea says the treaty transferring sovereignty to Japan was never valid because it was signed under duress.

Another source of dispute is Mr Kono's repudiation of a recent statement by Mr Kim that Japan was responsible for the division of the Korean peninsula in 1945, when its colonial rule ended.

Mr Kim said Japan should be held responsible for splitting the peninsula into North and South Korea because the division came as a result of the entry of US and Soviet forces into Korea to disarm Japanese occupation troops after the end of the second world war. Koreans have strong feelings against the Japanese as a result of their harsh colonial rule.

Many Japanese consumer products are banned in Korea, though Korean companies remain dependent on imports of Japanese capital goods.

Growing nationalist sentiment in Korea and Japan could make a quick end to the present row difficult. Korea's ruling and opposition parties are demanding Japan immediately apologise and retract the "outrageous" statements made by the ministers.

The South Korean foreign ministry yesterday made a strong protest against Mr Kono, expressing "extremely deep regret" over his remarks.

"It is rare for a foreign minister of a country directly to rebuff remarks made by the head of another state in consideration of international practices of diplomacy," Mr Lee Won-hyung, a senior foreign ministry official, told the South Korean news agency Yonhap.

South Korea is also demanding Japan accept the premise that the annexation treaty was "null and void" from the start, instead of Tokyo's present position that the treaty only became invalid after Japan's defeat in 1945.

There is little likelihood Japan will accede to the Korean demands. An apology by Mr Kono would alienate conservative voters supporting the Liberal Democratic party, the biggest group in Japan's coalition government.

Japanese trade surplus falls by 5.1%

By William Dawkins

Japan's trade surplus fell 5.1 per cent in the six months to September, as slower export growth to the US was partly offset by a sharp rise in trade with the rest of Asia.

The third successive year-on-year fall, to $56.18bn, was driven by a rise in imports, up nearly a quarter in the first half of the fiscal year, and helped by the strength of the yen, which has made foreign goods cheaper than domestic products.

A decline in car exports was the chief factor in the first six-monthly fall in four years in Japan's politically contentious trade surplus with the US. The bilateral trade gap fell by 13.9 per cent to $23.3bn during the six months.

As export growth to the US loses impetus, Japanese industry is turning to the rest of Asia to compensate, yesterday's figures show. The trade surplus with the rest of Asia, Japan's fastest growing investment and export market, rose 21.4 per cent for the 11th half-year running, to $38.07bn, nearly two-thirds more than the surplus with the US.

The contraction in Japan's overall trade gap was not as fast as the market had expected in September, contributing to a rise in the yen against the dollar to a two-week high of Y99.8 to the dollar yesterday.

The September surplus fell 5.8 per cent, year-on-year, to $11.3bn last month. The surplus with the US declined 23.9 per cent to $4.4bn.

A sharp slowdown in export growth, to 6.9 per cent last month, from 12.6 per cent in August, was the main surprise. Economic analysts said this followed *falling demand from a more slowly* growing US economy. Import growth also slowed slightly last month, to 13.1 per cent, from 15.9 per cent in August, but remained indicative of firm Japanese demand for foreign products.

Taken over the six months to September, exports rose 15.6 per cent, the 11th consecutive half-yearly term where they have grown; imports rose 24.8 per cent, up for the fifth period of six months in a row.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for trading on 18.10.95: Pool purchase price £/MWh	Final Prices for trading on 21.9.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	[illegible]	[illegible]	[illegible]
0100	[illegible]	[illegible]	[illegible]
0130	[illegible]	[illegible]	[illegible]
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Fed action 'would be the ultimate deterrent'

By Gerard Baker in Tokyo

Mr Alfonse D'Amato, US Senate banking committee chairman, has "serious misgivings" about Federal Reserve support to the Japanese banking sector, he said yesterday, AP-DJ reports from Washington. In a letter to Mr Alan Greenspan, the Fed chairman, Mr D'Amato questioned implications of a reported Fed contingency plan for any liquidity crisis among Japan bank branches in the US. "This arrangement of swapping US dollars for Treasury bonds appears to shift typical market risks from Japan, where they rightfully belong, to the Federal Reserve, and ultimately US taxpayers," he said. He acknowledged implications for US taxpayers would "depend on which financing mechanism the Fed has apparently agreed to employ".

Reports this week that the US Federal Reserve has agreed to emergency stand-by arrangements to help troubled Japanese banks are the latest evidence of the seriousness of the global threat represented by Japan's continuing financial crisis.

All last week in Washington at the annual meetings of the International Monetary Fund and World Bank, Japanese officials and bankers were reassuring markets that all was well, and discreetly assembling contingency measures in case it wasn't. The immediate problem is the so-called "Japan premium". In the past two months, an escalation in Japan's banking woes has alarmed the world's banks. The collapse of three smaller Japanese lenders this summer was followed last month by the disclosure of huge losses from bond trading at Daiwa Bank, the country's tenth largest.

As a result, banks have seen the cost of funds they raise in the world's money markets, mostly in US dollars, rise sharply. Yesterday the premium had risen to at least 0.25 percentage points above inter-bank offered rates. For some banks, especially the less familiar, smaller and regional ones, the premium is higher.

Those extra costs are already forcing banks to retrench. Worse still, some international lenders are so concerned about Japanese banks' instability *that they have sharply curtailed* credit lines. This poses the risk of a real liquidity crisis. If a bank is unable to raise enough money to fund its continuing debts, it could quickly collapse and trigger defaults throughout the international financial system. To avert such a disaster, the Japanese authorities have been working to soothe market worries.

They began by seeking to reassure markets with verbal guarantees. The Bank of Japan and Finance Ministry have repeatedly said the Japanese system is sound, and that even if a collapse occurred, the authorities would stand by with unlimited funds. But those words have proved insufficient to satisfy nervous bankers. So the authorities must turn to deeds. There are three principal options:

- Japanese banks could be allowed to raise more money on domestic markets and convert it into US dollars to meet dollar liabilities. There is evidence a few banks may have done this. But the scope of such an operation is firmly limited. International supervisory rules require banks to match the currency composition of their liabilities to guard against currency risk; the move involves a big increase in yen liabilities, with no corresponding increase in yen assets, creating an unacceptably large mismatch.
- A second option is for the Bank of Japan to lend dollars directly to troubled banks from its own funds. The bank denies undertaking such action, but there is evidence it may have done so. It has in any case been raising dollars on the currency markets in an attempt to weaken the yen; some proceeds of that intervention seem to have been passed on to weaker Japanese banks.

The problems have an international dimension. One possibility for banks facing a rise in the cost of their dollar funds or a cut in their credit lines is to plug the gap by selling some of their own dollar assets. That could mean wholesale dumping of US bonds and equities, with potentially catastrophic implications for the US securities markets, something US authorities want to avoid.

- Hence the third option for banks: funds lent directly from the US authorities.

The contingency plan reached in Washington (denied by Bank of Japan officials, but confirmed by US politicians) is that, in the event of a crisis, the Fed will supply unlimited dollar funds directly to Japanese banks at prevailing market interest rates. To offset the risk to the US central bank, the Bank of Japan would guarantee the lending with collateral in the form of US securities – mainly Treasury bonds – it holds. If a bank defaulted on the Fed's loans, the US central bank would collect the collateral from the Bank of Japan.

It is unsurprising that the scheme should appeal to the US authorities. It represents no cost to them, since the Bank of Japan has a sufficient level of US securities, estimated at more than $100bn, with which to guarantee the lending. It will help to eliminate the threat of a large-scale liquidation of US securities by Japanese banks.

In providing back-up to troubled Japanese banks, it could remove a leading cause of instability in international financial markets, a source of concern for US authorities. Mr Rei Masunaga, deputy director of the Japan Centre for International Finance, said yesterday: "Widespread public knowledge of the scheme should help to relieve the Japan premium, since it removes much of the uncertainty".

But it may not remove all doubts. History suggests that even copper-bottomed guarantees have at times failed to reassure financial markets. There was no sign yesterday of any cut in the Japan premium: news of the US action seems to have strengthened fears of an impending collapse.

One analyst described the moves this week as like a nuclear weapon: the ultimate threat, designed above all to deter. The problem may be that, as with the nuclear deterrent, if the scheme has to be used it will already have failed.

ASIA-PACIFIC NEWS DIGEST

Jiang appears at 'war games'

President Jiang Zemin appeared on Chinese television last night with virtually all China's top military figures, watching a naval exercise. The exercise was the most conspicuous "show of strength" involving Mr Jiang and his commanders to have been shown in the Chinese media, and was apparently aimed at demonstrating that he has the confidence of the military.

It was also probably meant to serve as a warning to Taiwan that China's new leadership would not tolerate moves undermining prospects for reunification. The "war games" might also have been designed to set the scene for Mr Jiang's meeting with President Bill Clinton in New York next Tuesday.

China's leader, who has been engaged in a delicate game of transitional politics since his unexpected elevation to the leadership of the Communist party in 1989, has suffered by being overshadowed by paramount leader Deng Xiaoping, but with China's patriarch in failing health, he is seeking to emerge from the shadows. *Tony Walker, Beijing*

Uttar Pradesh under direct rule

India's politically crucial state of Uttar Pradesh was put under New Delhi's direct rule yesterday, a day after its low-caste Hindu chief minister lost her majority in the state assembly. A government spokesman said a cabinet meeting had decided to put Uttar Pradesh "under the president's rule".

"The state assembly will remain in suspended animation," the official said, allowing the state's governor, Mr Moti Lal Vora, to decide whether any chance existed of swearing in a new government.

Uttar Pradesh's Chief Minister Mayawati resigned on Tuesday after the right-wing Hindu nationalist Bharatiya Janata party (BJP), the main opposition party, withdrew support for her Bahujan Samaj party government. The direct rule decision surprised some political observers but appeared to be an important part of Prime Minister P V Narasimha Rao's electoral strategy against the BJP before next year's general elections. *Reuter, New Delhi*

Australia warned on inflation

Australia's Reserve Bank, the country's central monetary authority, yesterday reiterated its warning that annual inflation was expected to increase in the year ahead and, even on an "underlying" basis, exceed 3 per cent. But it said this would not be "inconsistent with the bank's inflation objective, provided inflation returns to the 2-3 per cent range within a reasonable time". The bank, in its October bulletin, added that the slowdown in Australia's economic growth rate, coupled with the recent recovery in the Australian dollar, should be "more conducive to price stability".

The report also noted that there was evidence to "reinforce the view that medium-term inflation expectations remain fairly steady". *Nikki Tait, Sydney*

Quakes hit Japanese islands

Islands in southern Japan were hit by two earthquakes measuring 6.5 and 5.0 on the Richter scale yesterday, the Meteorological Agency said. The first, stronger shock, hit the Amami islands, about 1,300km south of Tokyo, in the early evening.

It was followed by a second in the same area about 20 minutes later. The agency said there was no danger of tsunami, or tidal waves, and there were no immediate reports of damage or casualties. *Reuter, Tokyo*

Pressure grows for EU to overhaul dumping policy

Opponents say that anti-dumping penalties undermine trade liberalisation, hurt consumers and shelter inefficient producers

Soon after Dr Stefano Micossi became head of the European Commission's industry directorate in January, he was called on to approve one of the dozens of decisions the EU takes every year to impose duties on "dumped" imports.

Normally, approval would have been a formality. But Dr Micossi, a liberal Italian economist, judged that the case raised serious economic and competition policy concerns, and began asking questions. The answers convinced him that the EU's whole approach to dumping needed an overhaul.

Now, a drive is gaining strength in Brussels to reform the policy, which has long created more heated controversy than any other EU trade arrangement except the Common Agricultural Policy.

If the drive succeeds, the EU will apply stricter criteria when investigating dumping – the pricing of exports at levels which harm producers in the importing country. That could lead to duties being imposed in far fewer cases.

Since the 1980s, the EU has aggressively stepped up the use of anti-dumping measures against imports ranging from electronics components to raw materials. The result has been to raise prices in some cases by 50 per cent or more.

Brussels has long insisted its procedures are fair. However, critics, including the UK, governments outside the EU and trade economists, say the policy undermines global trade liberalisation, hurts consumers and shelters inefficient producers.

A growing number of influential officials in Brussels have now concluded the policy needs to be taken in hand. As well as Dr Micossi, they include Sir Leon Brittan, the liberal-minded trade commissioner, and the Commission's external affairs directorate.

Several developments lie behind the re-think. Sir Leon has involved himself more closely than his predecessors in the workings of the policy, demanding that European producers back dumping complaints with more robust evidence. His stance in part reflects new World Trade Organisation rules, which require firm timetables and tighter procedures for dumping investigations.

Meanwhile, the changing structure of global production, particularly in high-tech industries, has made it harder to be sure whose interests anti-dumping measures are supposed to defend. In the 1980s, the policy was widely seen as a way of curbing Japanese competition. But many Japanese companies now manufacture in the EU – and some are pressing Brussels to act against dumping, notably by South Korean exporters.

Dumping penalties also increasingly threaten to rebound on European companies as they shift production offshore. Video recorders made in Singapore by Thomson, the French state-owned group, were recently a target of a complaint by Philips, the Dutch electronics manufacturer.

Anti-dumping policies, it is often claimed, preserve competition by shielding producers from predatory and monopolistic practices which would otherwise drive them out of business.

But critics say anti-dumping measures often conflict with the EU's own competition policies.

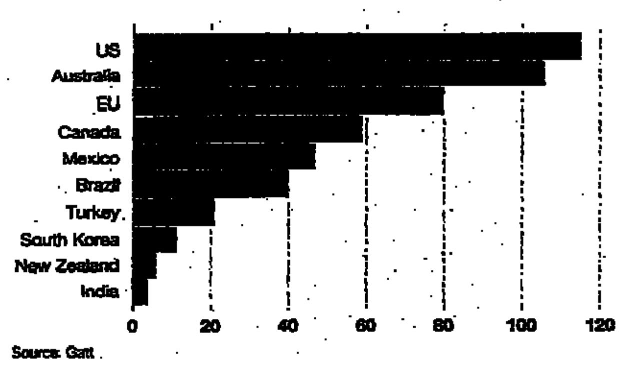
For instance, Brussels recently imposed dumping duties on imports of soda ash – a vital component in glassmaking – even though it has found European producers guilty of operating a cartel.

Furthermore, a confidential study for the Organisation for Economic Co-operation and Development concluded recently that few exports subject to dumping actions by the EU and the US – another active user of the policy – threatened competition in the importing countries.

Despite such criticisms, the EU's regime still has staunch defenders, particularly among southern member states. But there are signs that opinion in the Council of Ministers, which has the final say in each case, is becoming more finely balanced. In two recent cases – photocopiers and ferrosilicon manganese – ministers approved duties by slim majorities of 8-7. "It is more difficult than 5 or 10 years ago to get a proposal through the Council," says a Commission official.

One reason is that the admission of countries such as Sweden and Finland has swelled the ranks of EU free-traders. Another is that, as industries concentrate production in fewer European sites, fewer governments have a political stake in their economic well-being. "Member states simply vote where their interests lie," says the official.

Dumping investigations launched 1992-94



Source: Gatt

Reformers say they are not out to abolish anti-dumping policy, but simply to get existing rules implemented in a more even-handed way.

One of their strongest complaints is that procedures have long been biased in favour of aggrieved producers and have taken little account of competition in the market concerned, overall economic welfare, international trade patterns or the views of consumers.

They plan to redress the balance by taking advantage of a recently strengthened provision in the EU dumping regulation, which obliges policy to meet "Community interest". That, they argue, requires that properly reasoned cases must take account of a much wider range of economic factors.

They want tougher and more comprehensive tests, to establish, for instance, that injury alleged by producers is really due to dumping, and that duties would help European industries compete more effectively – and not simply penalise users of their products.

Giving consumers a stronger say is a priority. Though some officials doubt whether it would be possible to extend that right to consumer organisations, they hope to give industrial users of dumped imports legal standing comparable to that enjoyed by the European producers.

Such users frequently complain that the existing system excludes them. "I think the Commission had made its mind up before consulting us," says Mr John Andrews of Pilkington, one of the European glass makers which opposed duties on soda ash. "Every time we put up a case, it was ignored."

Final decisions on how to proceed are likely to await completion early next year of a report for the Commission by Dr Peter Holmes, a Sussex University economist. Changes, when they come, are likely to be introduced gradually and without fanfare.

Sir Leon insists the new approach must be legally robust enough to withstand challenge in the European court. That means that it needs to be entrenched by establishing precedents on a case-by-case basis.

Political realities also argue against over-hasty action. Any suspicion that the reformers are out to demolish the EU's defences against dumping would arouse strong opposition from many member governments and set back efforts to nudge trade policy in a more liberal direction.

Guy de Jonquières and Emma Tucker

Japan to seek lower EU tariffs

Japan is to ask the European Union to cut tariffs on about 100 Japanese-made electronic and industrial products, such as computer chips and video-cassette recorders. The request will be made by Mr Ryutaro Hashimoto, minister for international trade and industry, to Sir Leon Brittan, EU trade commissioner, at a conference in Britain this weekend.

Under World Trade Organisation rules, Japanese trade officials said, the EU has to make tariff cuts to compensate for a duty increase on car exports to Sweden, Finland and Austria, which joined the EU in January. *Kyodo, Tokyo.*

Taiwan-Macao air link accord

Taiwan and Macao have agreed to establish air links, allowing up to two airlines on each side to fly direct between the island and the Portuguese colony. The two sides have agreed that Air Macau can fly between Taiwan and the Chinese mainland via Macao with different flight numbers. That will allow the airline to skirt Taiwan's ban on direct air links with China.

AP, Taipei

Canadian fur trappers fight EU import ban

By Bernard Simon in Toronto

Canadian fur trappers, emboldened by Ottawa's seizure of a Spanish trawler earlier this year, are pressing for government action to stave off a European ban on fur imports.

Leaders of the Metis Nation of the Northwest Territories, an aboriginal group representing about 2,000 trappers, asked senior Canadian trade officials yesterday to impose curbs on European luxury car imports in retaliation against the fur ban, scheduled to come into force on January 1.

The fur industry has also discussed boycotts against other European products, according to Ms Alison Beale, executive director of the Fur Institute of Canada.

The EU ban would apply to fur from animals which have been caught in leg-hold traps, unless the main producing countries – namely Canada, the US and Russia – ban the use of such traps or implement "humane trapping standards" for 13 animal species.

Ottawa is seeking a negotiated settlement.

Although the Canadian government is sympathetic to the trappers' plight, it is unlikely to support their latest request. An official said Ottawa continued, for the time being, to pursue a negotiated settlement.

Should no agreement be reached before the beginning of January, Canada is expected to invoke the World Trade Organisation's dispute-settlement mechanism.

A working group, comprising Canada, the US and the EU, is due to meet in northern Alberta this month. EU members are understood to be considering a number of possible compromises but member states, and even government departments within individual states, have so far been unable to forge a common position. The issue could be raised at a meeting this weekend of senior trade officials from the EU, US, Canada and Japan.

The EU is under pressure from animal rights groups to make no concessions to the fur producers unless trapping practices are modified. However, protracted efforts by the International Standards Organisation to devise a more humane trap have so far produced few results.

The fur industry has accused the EU of applying a double standard. It claims that Europeans condone leg-hold traps for the mass killing of muskrats, which are regarded as a pest.

"The EU has taken a fancy to applying all sorts of pseudo-environmental barriers, and they're not prepared to apply the same rules to themselves," Ms Beale said.

The call for curbs on luxury car imports is based on the claim that European carmakers equip vehicles sold in North America with numerous safety devices which are not fitted to vehicles sold in their domestic market.

"Canadians should demonstrate their concern with the safety of human as well as animal life [by] ensuring that luxury cars which move at very high speeds on the autobahns and autoroutes of Europe are as safe as they are here in Canada," the Metis group said in a statement.

Brown warns on China trade gap

By Tony Walker in Beijing

Mr Ron Brown, the US commerce secretary, yesterday urged China to open its markets further to US products and warned of retaliation if Beijing failed to halt a widening trade gap.

"We do not intend to erect trade barriers, but China must make further progress in providing us with the market access we need or face the inevitable consequences of the American public's frustration over a trade deficit that could soon be our largest," he said.

Mr Brown, who conducted two days of talks with senior Chinese officials and met President Jiang Zemin, sharply criticised delays in Chinese approval of infrastructure projects in which US companies are involved.

He also made a determined pitch for new business, urging the Chinese to look favourably on US participation in a ... of projects in energy, transportation and telecommunications.

The administration shared the "frustration" of US business over the delays, especially in the power sector. "If China truly wishes to attract foreign capital and know-how... then these projects will have to be moved forward and the sooner the better," he said.

Mr Brown told his Chinese hosts that the best way to allay US concerns about the growing trade deficit, which is expected to reach $38bn this year compared with $30bn in 1994, was to permit greater US involvement in infrastructure and manufacturing projects.

US companies are competing with the Europeans and Japanese for a share of new business in telecommunication, power and energy. Corporations such as Ford, GM, Boeing and McDonnell Douglas are also bidding for deeper involvement in the vehicle and aerospace sectors.

Mr Brown promised US support for China's accession to the World Trade Organisation, but said entry "must be on commercial terms consistent with those of other comparable nations".

"This is not the position of a few American government policy-makers... this is an international position," he added.

Beijing frequently accuses the US of blocking its attempts to secure entry to the WTO on terms consistent with its developing country status.

Black-owned S African bank rescued

By Roger Matthews in Johannesburg

African Bank, the small black-owned South African bank ordered last month by the Reserve Bank to suspend trading, is to reopen next week. This follows agreement on a rescue package which will inject new capital and reorganise management structures.

New Africa Investments (Nail), headed by Mr Nthato Motlana, will increase its stake to become the majority shareholder in the bank through its subsidiary Metropolitan Life, with NBS, South Africa's fifth largest banking group, becoming the largest minority shareholder. Together they will inject R100m ($27.4m) of new capital.

Mr John Louw of the accounting firm KPMG Aitken & Peat, who was appointed to administer the bank following its suspension from trading, will continue in his post while the details of the rescue package are completed.

African Bank was forced to suspend operations after the discovery of non-performing loans of more than R70m, amid allegations of weak senior management and excessive authority being given to junior staff. The closure also became a political issue when it was disclosed that the government had refused to step in and save the bank. Leading black businessmen contrasted the government's response with previous government interventions to prop up ailing white-owned banks.

Mr Motlana said yesterday African Bank would open for business next Wednesday and there would be no limits placed on withdrawals. Since the suspension, accounts have been frozen, with only small withdrawals permitted in cases of genuine hardship. African Bank's 125,000 clients come mainly from the black community and include a number of small businesses which had been particularly badly hit by the closure.

Mr Chris Liebenberg, the minister of finance, gave final approval for the rescue package after considering proposals from several other groups. He said the R100m recapitalisation should be more than sufficient to meet statutory requirements and restore confidence in the bank.

Mr Tony Norton, chief executive of NBS, said the group was enthusiastic about the opportunity which the deal provided for it to become part of the nation-building process.

Police are investigating allegations of irregularities at African Bank , but there is no indication yet whether prosecutions will follow.

Madagascar's frogs attain life after debt

Discounted foreign liabilities help to pay for environmental projects, writes Michela Wrong

Mr Paul Siegel, expert on marine crustacea, has a diamond stud in one ear, a messianic gleam in his eyes, the fate of 450 species of frogs in his hands, and debt swap data at his fingertips.

If he looks the slightly eccentric California-educated lecturer he once was, the impression is shattered once he opens his mouth. Siegel talks like a hard-nosed Wall Street financier: of exchange rates and money markets, interest and inflation.

Like the animals he once studied, Mr Siegel thrives by filling a unique niche. As technical expert for the Worldwide Fund for Nature (WWF) charity, he is responsible for the complex negotiations by which Madagascar's national debt is turned to environmental use.

Under a scheme launched in 1989, WWF has been buying up Malagasy commercial debt, available at a discount on the secondary market. It then persuades the government to honour at least part of its obligation, and uses the money to fund projects to protect Madagascar's ecosystem.

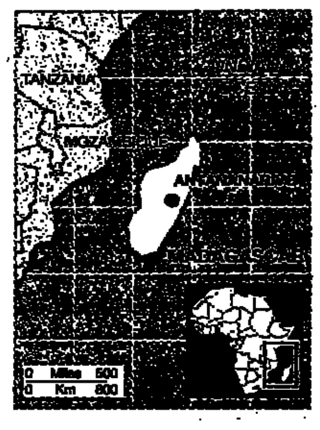
It is an arrangement that benefits all concerned, including the 30 species of lemurs, eight types of baobabs, and 235 varieties of reptiles – not to mention the frogs – that make up the island's uniquely rich flora and fauna.

The commercial banks are keen to off-load debts the crisis-hit government stopped servicing years ago. Madagascar, whose credit rating has at times fallen as low as F-triple-minus, claws back some international credibility and gets to pay off a foreign debt in local currency. And WWF gets more money than it paid out to spend on a project.

"The banks get rid of a bad debt, the government get investments in its own country and we get more than our initial outlay. You take a negative, and turn it into a positive. It seems like a free lunch," says Mr Siegel.

Over the last five years Mr Siegel has bought nearly $5m (£3.2m) in Malagasy commercial debt for slightly more than $2.3m. The discount would have been greater if it were not for the relative scarcity of Malagasy commercial debt, a tiny fraction of the country's $5bn external debt.

"No one knows for sure, but rumour has it there's just $50m-$80m in commercial debt for Madagascar out there and at least half of that is supposed to be owned by a bank that doesn't want to sell," says Mr Siegel. Hence the 50 per cent discount at which the debt trades, surprisingly high for an African country with such a disastrous economic record.



The government at first repaid WWF the full value of the debt, pleased to be able to cancel part of its massive obligations in Malagasy francs. Recently, as the recession has begun to bite, it has been offering the WWF only 80 per cent of face value. But the margin remains good enough for WWF to stay in the game.

The money has gone into recruiting and training hundreds of government agents to patrol the huge island, persuading villagers to halt the bush-clearing that each year destroys 200,000 hectares of forest.

Apart from the threat the slash-and-burn technique brings for untold varieties of animals and plants, experts calculate that between 5 and 15 per cent of Madagascar's gross national product is lost each year through the erosion of fertile top soil, flooding of rice paddies and silting up of electrical turbines.

"The government realises that any agricultural society is underpinned by environmental factors," says Mr Siegel. "If they can't halt the environmental decline, a country with an agriculture-based economy is dead in the water."

Persuading a farmer to refrain from clearing land he needs for crops for the sake of some notional future benefit can be a thankless task. So WWF and the government have devised a quid-pro-quo arrangement.

Their agents agree to do something of immediate visible benefit to the community, such as provide funds for a school or bridge, in exchange for a promise that villagers will plant a forest or maintain woodland. The deal is sealed in the form of *dina*, a traditional contract signed with the village elders.

"We have never had anyone cheat on a *dina*, they are always respected," says Mr Siegel. He recognises the project so far has merely touched the tip of the iceberg. But village by village, tiny project by tiny project, WWF hopes to build up a national environmental awareness. The government seems to think the plan is working: it recently rewarded Mr Siegel and his boss with knighthoods.

Currently negotiating a couple of new debt swaps, Mr Siegel has adapted smoothly to the world of boardroom meetings and executives in suits. The more he dabbles in economics, the more analogies he finds with his old discipline.

"It's all about resource allocation and what makes systems run. Biology and economics are really the same thing, you're just changing currencies. I'm amazed how much of my education has been put to good use."

Plea on human rights

Many Commonwealth governments are failing to implement pledges on democracy and human rights made at the 51-member association's summit in Harare four years ago, says a report by the Commonwealth Human Rights Initiative, an independent pressure group, published yesterday.

The report calls on Commonwealth leaders attending next month's summit in Auckland to make a commitment to freedom of expression, condemns prison conditions in south Asia, and says Nigeria should be suspended from the Commonwealth until it has restored human rights and made progress towards civilian rule. *Michael Holman*

Morocco fish deal 'in the net'

The EU and Morocco were preparing yesterday to wrap up a new fisheries agreement by the end of the week. "All the elements are there to finish within the week," Mr Filippo di Robilant, Commission fisheries spokesman, said before a second round of talks.

The talks will settle the technical details of a political compromise, announced last Friday by Mrs Emma Bonino, EU fisheries commissioner, which ended months of deadlock over renewal of the EU's most important fisheries agreement. *Reuter, Brussels*

UN sanctions prompt Gadaffi to send home 1m Africans

Libya's request to the United Nations Security Council for permission to repatriate more than 1m African migrants was prompted by the poor state of its sanctions-hit economy, diplomats said yesterday, Reuter reports from Cairo.

Col Muammer Gadaffi, the Libyan leader – whose country has been under UN sanctions including an air embargo since 1992 – wanted to use foreign workers and illegal migrants as bargaining chips to press the UN to ease the embargo, the diplomats said.

Sanctions were imposed after Col Gadaffi refused to hand over for trial two men accused of the 1988 mid-air bombing of an American airliner over Lockerbie, Scotland.

"Libya's economy has been in decline for some years. They've looked around them and found enormous numbers of foreign workers occupying accommodation, consuming goods and filling jobs and they've decided it's time to reduce the number of foreign residents," said one Cairo-based western diplomat.

Economists say three years of sanctions have drained the Libyan economy, making it difficult to pay foreign workers. Unemployment is unofficially put at 30 per cent, middle class salaries have been steadily falling and economic reforms are inconsistent. High inflation has pushed prices out of the reach of many.

Expelled Palestinians stranded aboard a ship off Cyprus yesterday after Syria refused admission AP

Western diplomats in Tripoli said Col Gadaffi's decision was probably an extension of a campaign begun in September to round up illegal labour.

"There has been a campaign to pick up these people with the goal that they leave voluntarily. Now that the Security Council has rejected its request, Libya could very well put them under more pressure to make their own way home," one diplomat said.

Libya said in September it was "dispensing" with foreign workers in order to give jobs to Libyans, because some had infectious diseases such as Aids and Ebola, and to reduce the number of illegal migrants.

Some diplomats linked Libya's expulsion campaign to unrest this summer in the port city of Benghazi, in which the Libyan authorities said Egyptian and Sudanese Islamists were involved.

More than 7,000 Egyptian workers have since returned home and Sudan has said 300,000 of its nationals in Libya were told to leave by the end of this year. Libya told the UN Security Council sanctions committee that 500,000 of the "illegal infiltrators" it wanted to fly home came from Sudan, 300,000 from Chad, 250,000 from Mali, and others from Niger, Ghana, Nigeria, Benin, Ivory Coast, Senegal, Guinea and Guinea-Bissau.

Enforcing the air embargo, the UN turned down Tripoli's request for "permission for air transport facilities by Libyan or UN aircraft".

"These alleged illegal migrants are being used in another of Gadaffi's games – the sanctions game. All the things he has tried to lift the sanctions haven't worked so he thinks maybe this problem could lead to a partial lifting," a diplomat said.

Col Gadaffi also ordered 30,000 Palestinians to return to Palestinian self-ruled areas, ostensibly to expose what he calls the sham peace between the Palestine Liberation Organisation and Israel.

هكذا من الأصل

Ex-bosses may face Singapore cover-up probe

By Nicholas Denton in Singapore and John Gapper in London

THE BARINGS COLLAPSE

Mr Peter Norris, former chief executive of Barings before its collapse with £830m ($1.31bn) in trading losses in Asia, faces possible criminal investigation by Singapore authorities along with several former colleagues.

Singapore's commercial affairs department (CAD), the enforcement agency, said yesterday it was investigating possible criminal acts in the light of an official report which accused at least three former Barings executives of a cover-up.

Any charges would relate to violations of local companies laws and the penal code. However, the Singapore authorities would have to produce enough evidence to extradite Mr Norris from the UK to face trial in Singapore.

The department played down the chances of eventual criminal proceedings. It said it had already sought to interview up to 10 individuals in the UK, but had found unacceptable their demands for immunity from prosecution.

Inspectors appointed by the Ministry of Finance in Singapore said in a report released on Tuesday that Mr Norris and Mr Bax were involved in an attempt to stop independent investigations into losses before the bank's collapse on February 26.

Their report claimed that Mr Norris was part of an attempt to hide a £50m discrepancy in the accounts of Baring Futures, the derivatives unit headed by Mr Nick Leeson, which took place in the month before the collapse on February 26.

Mr Leeson, the former trader accused of accumulating futures and options losses which led to Barings' collapse in February, is facing extradition to Singapore from prison in Germany on charges including false accounting.

They claimed that Mr Norris was assisted in concealment by Mr James Bax, Barings' regional manager for Southeast Asia, and Mr Tony Hawes, the group treasurer. All three executives have strongly denied the inspectors' claims.

"We will investigate anyone who has committed criminal acts and, if Bax and [Simon] Jones [former chief operating officer for south east Asia] are involved in criminal activities, we will investigate," said Mr Lawrence Ang, CAD director. The inspectors' report based its conclusion of cover-up on conflicting testimony by former Barings executives, rather than on conclusive proof. Mr Ang said that the CAD had to go beyond that to establish a case "beyond reasonable doubt".

The CAD is thought to be interviewing Mr Bax this week.

Mr Ang said the CAD would consider any offer of co-operation from lawyers for Mr Leeson. He said that the inspectors' report indicated more charges could be brought against Mr Leeson. But this was barred by the procedures of extradition.

Government is braced for harsh cuts in spending

By Robert Peston, Political Editor

The British government is hoping to set next year's public spending at £3bn ($4.74bn) less than the total originally proposed, in one of the toughest ever pre-Budget expenditure negotiations.

Mr Kenneth Clarke, the chancellor, has told ministerial colleagues that there is little scope for the £3bn package of tax cuts he wants to announce in November's budget unless government spending significantly undershoots the control total for 1995-96 of £262.8bn.

The control total consists of expenditure by central government departments, local authority spending and the financing requirements of nationalised industries.

"We are aiming for an undershoot of around £3bn", said a senior member of the government. However, he added that the Treasury was "skating on thin ice", because the savings have been difficult to achieve.

Government officials are set to feel the brunt of the cuts, because Michael Heseltine, the deputy prime minister, believes ministries are overstaffed and relatively inefficient. However, the implications of the reductions for the government's commitment properly to fund public services is causing concern to Mrs Gillian Shephard, the education secretary, and Mr Stephen Dorrell, the health secretary.

They are unlikely to settle their budgets during negotiations in EDX, the ministerial committee on public expenditure chaired by Mr Clarke, despite intense pressure for them to do so from Mr Clarke and Mr Heseltine.

Officials said yesterday that agreement was unlikely to be reached at the next EDX meeting on October 25. Ministers are threatening to hold out until the full cabinet debates public expenditure, probably in the first week of November.

The total number of people in employment in the UK in the three months to August was 25.5m – 107,000 above the spring quarter and 305,000 higher than a year before. The latest figure was 564,000 higher than in spring 1993, when employment reached its lowest point. Full-time and part-time employment increased in both the quarter and year to this summer. Compared with the 1993 low point, full-time employment was 304,000 higher while part-time employment was up 256,000.

There were 1.69m temporary workers this summer – representing 7.7 per cent of all employees, up from 7.4 per cent last summer.

The prisons crisis Manager quits in protest at top man's dismissal

Sacked chief sues home secretary

Financial Times Reporters

Mr Derek Lewis, who was sacked as head of the Prison Service on Monday, is suing Mr Michael Howard, the minister who dismissed him. Mr Lewis is seeking damages to cover loss of salary, bonus and benefits together with "other consequential losses and damages". He also wants a declaration that his dismissal was unlawful.

Mr Howard suffered another blow yesterday with the resignation of Mr Geoffrey Keeys, a Prison Service management team member, in protest at the dismissal of Mr Lewis.

Mr Keeys said in a resignation letter to Mr Richard Tilt, acting director general of the Prison Service: "As you are aware, I believe strongly that it was in the best interest of the service that Derek Lewis remain as director general. I am assured that opinion was communicated to the home secretary, but it was clearly one he did not share."

Today Mr Howard will speak for the government in a House of Commons debate about the Prison Service. Mr Howard is expected to rebut in detail allegations that he interfered in the running of the service. A senior aide of Mr Howard said last night: "He is not going to roll over a be a pussy cat for the opposition," the aide said.

Mr Lewis accused Mr Howard of trying to pressure him into suspending Mr John Marriott, governor of the high-security Parkhurst Prison, after dangerous prisoners escaped from it. The accusation in a High Court writ issued by Mr Lewis was one of a series of detailed allegations of interference by Mr Howard in the operational running of the prison service.

Mr Howard indicated last night that he will say in the Commons that he acted "entirely properly" and that Mr Lewis had been given "ample opportunity" to respond to the highly critical Learmont report on the escapes at Parkhurst.

The First Division Association, the trade union which represents top civil servants such as Mr Lewis, said the writ described the difficulties the director general had experienced in carrying out his job "as the direct result of the intervention on many occasions and on a wide range of operational issues from the home secretary".

The writ from Mr Lewis alleges that Mr Howard applied "extreme and unjustified pressure" to suspend Mr Marriott following the escape of prisoners even though Mr Lewis had taken an operational decision merely to move him to another post.

Mr Howard is said to be deeply angry at a series of what he sees as unsubstantiated accusations made against him by Mr Tony Blair, leader of the Labour party, on Tuesday. Mr Jack Straw, the opposition party's shadow home secretary, said yesterday that Mr Howard's position was untenable.

"We have the clearest evidence that, contrary to what he has told the House of Commons in the past, he did interfere with one operational decision and attempted seriously to interfere with another," Mr Straw said.

Mr Howard's resignation was demanded by the centrist Liberal Democrat party. Mr Alan Beith, the party's home affairs spokesman in the Commons, said Mr Howard could not persist with the claim that he kept the Prison Service at arm's length.

"There is now such a cloud over Mr Howard's dealings with the Prison Service and his refusal to take responsibility in the House of Commons, that it should be clear to both him and to the prime minister that he ought not to remain in office," Mr Beith said.

A Downing Street spokesman said Mr Howard had the full support of Mr John Major, the prime minister.

Derek Lewis

1946 born; educated Cambridge University and London Business School;
1968 joins Ford UK; later becomes finance director
1982 appointed director of corporate development, Imperial Group
1984 becomes finance director of Granada Group; later managing director and chief executive
1990-1993 director, Courtaulds Textiles
1992 becomes chairman, UK Gold Television
1993 appointed director general of state Prison Service by Kenneth Clarke, then home secretary and now chancellor of exchequer
1995 Michael Howard, Clarke's successor as home secretary, sacks Lewis after publication of fiercely critical independent report on Prison Service

The troubled service

1993 privatised court escort service run by security company Group 4 under fire after several prisoners go missing
1994 six Irish Republican Army prisoners escape briefly from Whitemoor Prison in eastern England
1995 three dangerous prisoners escape from High-security Parkhurst Prison on Isle of Wight and are at large for five days before recapture

- In the year before it became an executive agency in 1993, Prison Service experienced its worst year for serious security breaches, with nearly 500 escapes. The escape rate in 1995 is down 76 per cent compared with the average of 1992-93.
- With two contracts for new prisons awarded earlier this year, the private sector now runs six of the country's 130 prisons, with four separate companies in the market. Two more private prisons are planned.

Shell cleared on Brent Spar data

By Robert Corzine in London

Shell UK was yesterday cleared of allegations that it misrepresented the contents of the Brent Spar, the disused oil storage installation which it unsuccessfully tried to dump in the Atlantic Ocean in June.

A survey by Det Norske Veritas, an independent Norwegian shipping classification society, disclosed "only minor deviations" between Shell's inventory of the Brent Spar's contents and the findings of the DNV inspectors.

Greenpeace, the international environmental pressure group that forced Shell to abandon the planned sinking, claimed that the Brent Spar contained 5,000 tonnes of oil. Shell said there were only 53 tonnes.

DNV, which was paid £200,000 ($314,000) by Shell to carry out the study, said Greenpeace made "major errors of misinterpretation" when it analysed the oil samples collected from pipes during its occupation of the Brent Spar.

Greenpeace therefore came up with "grossly overestimated figures" of the oil remaining in the Brent Spar's storage tanks, according to Mr Ole-Andreas Hafnor, the DNV executive in charge of the investigation.

Greenpeace, which last month apologised to Shell for making false claims about oil levels on the Brent Spar, welcomed the DNV report.

But it said the "exact quantities" of pollutants on board the Brent Spar was "not important". Ms Sarah Burton of Greenpeace UK said the campaign had been waged to stop dumping at sea generally.

She denied that Greenpeace's credibility had been undermined. But she admitted that organisational changes have been made to minimise the chance of similar blunders in future.

DNV inspectors also dismissed a claim by a former worker on the installation, who alleged that three barrels of toxic waste had been cemented into the Brent Spar in 1981. DNV said the man changed his story during the course of two interviews, and twice refused at the last moment to visit the Brent Spar to help investigators.

Mr Hafnor said it was "virtually impossible" for an operation of the type described to have been carried out.

Carmakers call for state aid

Leading carmakers remain pessimistic about the outlook for sales in the UK this year in spite of the short-term boost expected from the London Motor Show, which opens today, our Motor Industry Correspondent writes.

The industry estimates that total car sales will remain virtually static at between 1.9m and 1.95m units this year. Prospects for 1996 are little better, with forecasts of 2m sales at best triggering industry calls for government action to stimulate registrations.

Mr Ian McAllister, chairman of the UK operations of Ford, the market leader, yesterday called for a government incentive scheme to encourage motorists to trade in old cars. Similar programmes in France and Spain have proved a big boost to the motor industry and have benefited the environment by eliminating vehicles with high exhaust emissions, he said. "It makes sense to look for initiatives which will make people buy new cars".

The Royal Automobile Club estimates that about 50 per cent of the exhaust emissions from passenger cars in Britain come from only about 10 per cent of the vehicles. The RAC reckons the number of cars on the road which were more than 10 years old rose to 7.4m last year from 4.9m in 1986 as the recession discouraged purchases of new cars.

However, Mr McAllister's calls for an incentive programme have not been echoed by the heads of Vauxhall, the British offshoot of General Motors, and Rover, a subsidiary of BMW. "We don't need gimmicks," said Mr Charlie Golden, chairman of Vauxhall.

Volkswagen [illegible]

REGISTRATIONS OF NEW CARS			Share
Total Market	[illegible]	[illegible]	100.00%
UK Produced	[illegible]	[illegible]	43.96%
Imports	[illegible]	[illegible]	56.04%
Japanese Makers	[illegible]	[illegible]	13.96%
Ford Group	[illegible]	[illegible]	21.95%
Ford	[illegible]	[illegible]	21.66%
Jaguar	[illegible]	[illegible]	0.29%
General Motors	[illegible]	[illegible]	15.02%
Vauxhall	[illegible]	[illegible]	[illegible]
Saab	[illegible]	[illegible]	0.31%
BMW Group	[illegible]	[illegible]	[illegible]
BMW	[illegible]	[illegible]	[illegible]
Rover	[illegible]	[illegible]	[illegible]
Peugeot Group	[illegible]	[illegible]	[illegible]
Peugeot	[illegible]	[illegible]	[illegible]
Citroen	[illegible]	[illegible]	[illegible]
Renault	[illegible]	[illegible]	[illegible]
Volkswagen Group	[illegible]	[illegible]	[illegible]
Volkswagen	[illegible]	[illegible]	[illegible]
Audi	[illegible]	[illegible]	[illegible]
SEAT	[illegible]	[illegible]	[illegible]
Skoda	[illegible]	[illegible]	[illegible]
Nissan	[illegible]	[illegible]	[illegible]
Fiat Group	[illegible]	[illegible]	[illegible]
Fiat	[illegible]	[illegible]	[illegible]
Alfa Romeo	[illegible]	0.18%	[illegible]
Toyota	[illegible]	[illegible]	[illegible]
Honda	[illegible]	[illegible]	[illegible]
Volvo	[illegible]	[illegible]	[illegible]
Mercedes-Benz	[illegible]	[illegible]	[illegible]
Korean Makers	[illegible]	[illegible]	[illegible]

UK NEWS DIGEST

Business leader attacks minister's anti-EU speech

One of the first clear signs of business unease about anti-Brussels rhetoric in the governing Conservative party emerged when the Chemicals Industries Association issued a thinly veiled attack on Mr Michael Portillo, the Eurosceptic defence minister. Mr Portillo made a fiercely anti-EU speech at the party's annual conference last week.

Mr John Frazer, association president and chairman of the UK Ciba chemicals group, criticised the party's stance as "irresponsible" and "dangerous".

"Anyone who listened to some blatantly nationalistic utterances of a quite senior minister at the recent party conference will be deeply concerned," he said at a meeting with MPs. "There must be no room for doubt in the minds of potential partners or investors – and these include the parent companies of large multinationals based outside Britain – that the UK is intent on influencing European development from within." *Gillian Tett, Economics Staff*

Power regulators may merge

A merger of the regulators of the gas and electricity markets is being considered by the government to take account of the introduction of full competition in electricity and gas supply after 1998. A government submission to the House of Commons trade and industry committee, which has been reviewing the electricity supply industry, says that "after 1998 there could be a stronger logic in having one regulator covering the market [for gas and electricity]". Evidence of the likely convergence of the two markets was the disclosure last month that British Gas, the former state utility, is in talks with Offer, the electricity regulator, about the possibility of obtaining a licence to distribute electricity after 1998.
Robert Peston, James Blitz and Robert Corzine

Aerospace warning from union

The aerospace sector has lost more jobs since 1980 in Britain than in any other European country and the nation's industry is in danger of disappearing, said the Manufacturing Science and Finance trade union. It said 50,000 UK aerospace jobs had gone in the past four years in addition to 70,000 lost since 1980. This is greater than the number of aerospace jobs lost in France and Italy, while in Germany employment has begun to increase. In the early 1990s, France overtook the UK in aerospace output for the first time, said the union, which blamed government funding and procurement policies for the decline. The union said UK government funding for civil aircraft research and development was £20m ($31.5m) in 1995-96 compared with 1995 figures of £103m in France and £123m in Germany. *Michael Skapinker, Aerospace Correspondent*

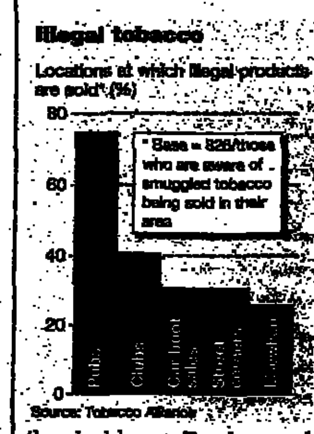
Warship flounders at launch

Kvaerner Govan, the Scottish shipyard, dropped the Royal Navy's 20,500 tonne Ocean helicopter carrier during its launch. The Ocean, which is larger than the UK's aircraft carriers, then scraped its way along the concrete into the Clyde and collided with a tug. The front supports which hold ships during launch apparently gave way too soon. The ship is holed and is being pumped out to keep it afloat and is being examined by divers. The ship's formal naming will not take place until it has been fitted out at the VSEL yard in north-west England.
Bernard Gray, Defence Correspondent

Smuggling 'on the increase'

Illegal tobacco

Locations at which illegal products are sold* (%)



Source: Tobacco Alliance

Smuggled tobacco products have been offered for sale to one in three tobacco retailers, reflecting the upsurge in illegal imports from mainland Europe, says the Tobacco Alliance. The alliance – a lobbying group of independent shops – is pressing for a cut in excise duties. It says a growing number of people are buying tobacco products in lower-tax countries and reselling them below the fully-taxed UK price. It is legal to bring such goods into the country for personal consumption but illegal to sell them. In a nationwide survey of 1,370 tobacconists, 33 per cent said they had been offered smuggled goods for resale. Some 60 per cent said they were aware of illegal tobacco sales in their areas with pubs the most popular venue followed by clubs and car boot sales. *Roderick Oram, Consumer Industries Editor*

Sheep farmers win payout

The government is to pay up to £20m ($31.5m) in compensation to thousands of sheep farmers after breaking the law in its handling of their applications for extra sheep quotas under European Union rules. The National Farmers' Union won a court ruling against the government's measures in July. Sheep farmers must have quotas to be eligible for subsidies from Brussels. The case concerned an allocation of spare quotas. The government was overwhelmed with applications and rationed farmers by setting restrictive criteria for them to prove expansion plans. *Alison Maitland, Resources Staff*

Commodities, Page 25

Racecourse champion dies: Red Rum, the 30-year-old racehorse which in the 1970s won the Grand National an unprecedented three times, died yesterday. This was the first year in which he did not lead the traditional parade of runners before the race. Red Rum was buried at the winning line of the Grand National track at Aintree in north-west England.

هكذا من الأهل

TECHNOLOGY

Sony's spiritual world

The spiritual world and higher consciousness should be considered by high-tech companies looking for further growth in the next century, says Yoichiro Sako, a manager at Sony, the Japanese consumer electronics group.

Sako heads Sony's Esper (extra sensory perception) laboratory and conducts research into the possible existence of extraordinary bio-perception such as telepathy and clairvoyance. A graduate of Tokyo University, he has been involved in Sony's research and development of artificial intelligence and digital technology including CD-Rom.

"What electronics companies have been trying to do is to make hardware and software which faithfully recreate actual sound and visual effects through technology like digitisation. However, such products have not increased the excitement and inspiration of the user, since something has been left behind," he says.

His claims that electronics companies and science engineers have ignored phenomena that are inexplicable by science, raised more than a few eyebrows in the company. But he eventually won the support of the company's founders, Masaru Ibuka and Akio Morita, and set up the research lab in 1991.

Sony had already been researching oriental medicine, which is based on the Qi paradigm, or body energy. Sako's lab is conducting research in order to explain scientifically extra sensory perception and to find the routes or method by which information and energy travel. Its experiments include investigating the physical changes, such as brain waves and skin temperature, of people with extra-sensory perception when such powers are being used.

Sako admits that his experiments have yet to be linked to new technology and that his lab remains controversial within Sony. But if people thought about ESP for even a few minutes a day, it would probably make a difference for the company and its products, he says.

Emiko Terazono

Speed is of the essence

Victoria Griffith on Reebok's system for getting shoes into shops quicker

At your fingertips: customers can call up information on touch screen monitors

In a Boston athletic shoe store, a teenager stares at the Reebok computer screen. The monitor promises to tell him which styles will best suit his age and sports interests. He keys in information – age, 15; interests, basketball. He is then shown a range of targeted product shots and videos.

The monitors in the Footlocker stores, an athletic footwear chain in the US, are the most visible part of a new information and distribution system that Reebok hopes will help the company recapture market share from competitors in the international sportswear business. Reebok is investing an extra $46m (£30m) in computer technology over the next few years.

The company's share of the global market in athletic footwear is currently languishing at just over 20 per cent, while Nike, once neck-and-neck with Reebok, has surged to about 36 per cent, according to Merrill Lynch. The company said yesterday that sales of the Reebok brand overall were up by 6.6 per cent worldwide to September this year, although US sales of footwear alone edged lower.

Reebok's package takes apparel and footwear manufacturers from the design phase through production, distribution and retail sale. The company believes it is the first system of its kind. The package, which the company hopes to market to other manufacturers, enables workers to create three-dimensional designs on the computer, which are translated directly into design instructions for the manufacturers.

"Other industries have a tailored software available on the market, but not textiles or footwear," says Peter Burrows, who developed the system. The company says the system is designed to boost efficiency, improve communications within the company and with its factories and distributors, and to cut the time it takes to move the shoe from the design phase to the stores.

"The programs we developed let us operate far more efficiently than we could before," says Burrows.

The company believes the technology will also be applicable to other global apparel makers such as Giorgio Armani and Levi Strauss. It is discussing with a software company the possibility of selling the programs. "We are willing to make it available on the market to recuperate some cost," says Burrows.

The industry wallows in archaic information systems, he adds. The romantic idea of the creative designer sketching a pencil drawing of a new style is not practical for large apparel and footwear groups.

Before going into production, designs are approved by management around the world in a sign-off process that once took 40 days or more. It can now be done in as little as 24 hours. The design zips around the globe collecting signatures from the appropriate managers, and then moves to the factory. "That same design is translated directly into computerised factory specs, for different sizes and for different sexes," says Burrows. "Before, there was no computer program that could turn a size 6 design automatically into a size 12. It is not just a question of making it twice as big, as the shape of the shoe changes too."

Once the product design is approved and orders start coming in, distributors can use the system to check on the precise status of their shipments.

"This used to be dinosaur-age stuff, with everything done by fax and with no way for distributors to check on their order, short of calling up the factory and asking about it," said Burrows. Now, customers can see on screen the day the order was completed and shipped, which vessel the products went out on, when they landed in customs and exactly where they are in customs.

The paperless system has shaved more than four weeks off production time, according to the sportswear group. Customers also receive 24-hour notice before delivery that a shipment is coming in. "In this business, shipping too early can be as bad as shipping too late," says Burrows. "The centres need to plan their day, and if we get there on Wednesday instead of Thursday, that can cause problems for them."

To make this work, Reebok insisted that each customer purchase the necessary equipment, such as modems, to link up to the company's distribution system and run the proprietary programs.

"It is not Reebok style to have a heavy-handed centralised management style," says Burrows. "But in the case of computer systems, it is the only way to go."

Once its products are in the stores, the sportswear company tracks sales of colours and styles to feed into a program geared to spot and monitor trends. Historical information has already been keyed into the program, and Reebok distributors and retailers contribute current information about what is moving, which colours and styles are doing well, and the products they want.

"It gives us something to go on when we estimate demand," says Burrows. "Before, it was just groping in the dark. Now, I can say 'I think black tennis shoes won't be a big hit in this style, because a similar colour and style fell flat a few years ago' . . . that is powerful information."

The system can also tell Reebok information such as which sportsmen and women are endorsing which products, when their contracts are up, when they have days free for product promotions. For instance, the marketing department could use the information to find a football star who might be available in a particular place at a particular time, for instance. It might see that one of its sponsored athletes will be in Los Angeles for a game on a specific date, so Reebok can request participatation by the athlete in a special launch in the town.

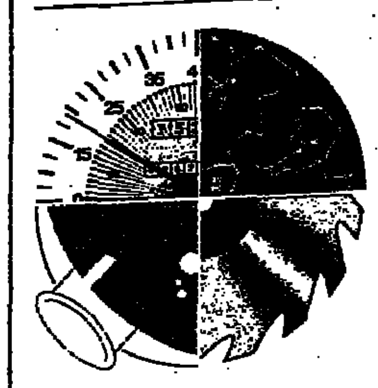
Reebok aims to project an image of a company that is in touch with high technology.

Reebok also runs an active Internet site, which customers can access from the New York concept store. Reebok staff are on hand to help customers access the Reebok Planet site showing the company's product shots and information about keeping fit. Staff in the Manhattan store wear headsets to communicate with the stockroom so they do not have to leave the sales floor.

Much depends on Reebok's investment, which so far appears to be going well. Charles Drummond, assistant manager at a Footlocker store in Manhattan, says the monitors, for example, are helping to draw "some pretty good traffic to the Reebok section".

Burrows, however, acknowledges it will take more than new equipment to improve sales performance. "It is not the technology itself that will make us competitive, but what we do with it."

Worth Watching · Vanessa Houlder



Pocket-sized video playback system

NEC, the Japanese electronics company, has devised a video playback system that can fit in a pocket.

The machine, Silicon View, is the first practical video system to play back data from a credit card-sized memory card, according to NEC.

The machine is unlikely to be commercially viable for several years, until much larger memory chips – which would allow longer recording and playback time – come on to the market. The storage capacity of the prototype, which has a 40MB memory card, restricts playback time to four minutes.

The machine is a solid state device, with no moving parts. That means that it does not have any problems with "skipping", and distorted or broken tape.

The player weighs 295g, is 14.6cm long, 7.6cm wide and 3.7cm deep; the screen is 5cm by 3.9cm.

NEC Europe: UK, tel (0)171 353 4383; fax (0)171 353 4384.

Space-saving seal for rocket fuel

An "intelligent" mechanical seal based on a piezoelectric crystal is tackling a long-standing problem within the liquid-fuelled rocket motors that power most space vehicles.

A better seal would mean that the vehicle could carry a larger payload, as it would have to carry less buffer gas (which separates the hot gases that drive the engine's turbo-pump from liquid oxygen).

The piezoelectric crystal, which changes its shape when a voltage is applied to it, is controlled by a system that monitors the leakage rate in the valve and varies the voltage accordingly.

The seal was designed by a researcher at the Georgia Institute of Technology and funded by Nasa.

Georgia Institute of Technology: US, tel 404 8943444; fax 404 8948881.

Resin tags for computer chips

Computer chips, which are highly valuable and difficult to trace, are being stolen from offices in increasing numbers.

A high-strength security tagging system has been designed for chips. Kodit, a UK-based company which makes security systems for mobile phones, has adapted its tagging system so that individually numbered mini-tags are bonded to the chips with a strong resin. The tagged chips are virtually worthless, while attempts to remove the tags involve so much pressure that the chip is rendered useless.

Kodit Data Base: UK, tel (0)1625 529283; fax (0)1625 539833.

Diagnosis in the ambulance

An ambulance service in the south of England is conducting trials with a wireless data network that could improve the diagnosis and treatment of patients as they are taken to hospital.

Information, such as the ECG (electrocardiogram) waveform and pulse oximetry (which monitors the oxygen in the blood), is transmitted to the hospital using the Ram wireless data network. A hospital-based consultant can make an immediate diagnosis and transmit instructions back to the ambulance crew.

Ram Mobile Data: UK, tel (0)181 990 9090; fax (0)181 990 9110.

Edit photos on camera's screen

Casio Electronics has launched a still digital camera with a built-in liquid crystal display.

The QV-10 camera allows users to view pictures as soon as they are snapped, manipulate the images on the display and monitor the effect of different exposure settings on the screen. The images can also be transmitted to a personal computer to be edited and incorporated in documents.

Casio Electronics: UK, tel (0)181 450 9131; fax (0)181 452 6323.

ARTS

Cinema/**Nigel Andrews**

Powered by hot air through LA

CLUELESS
Amy Heckerling

IL POSTINO
Michael Radford

NINE MONTHS
Chris Columbus

MORTAL KOMBAT
Paul Anderson

CANADIAN BACON
Michael Moore

Each year in Cannes this writer sees the proud sign displayed at the city limits: "Twinned with Beverly Hills." Yet during several visits to Beverly Hills he never once remembers seeing a sign, "Twinned with Cannes." It just shows. When it comes to the social jewel of Southern California, Americans can be even more snobbish than the French – probably than the rest of the world.

Snootiness is the entire charm and joy of *Clueless*. Loosely based on Jane Austen's *Emma* – ten-out-of-ten there for genealogical oneupmanship – this satirical comedy from writer-director Amy Heckerling (*Look Who's Talking*, *Fast Times At Ridgmount High*) wanders around the Beverly Hills teenage set, tapping its members for lustrous fatuities much as a rubber planter taps his trees.

Our high-school heroine is "Cher", blonde, monied and played by new-minted star Alicia Silverstone: a sort of Cybill Shepherd with talent. Matchmaking and makeovers are Cher's favourite hobbies. When not pushing plain Janes at unattached hunks, or fusing two lonely schoolteachers with the divine spark, she tears into girlfriends with her social advice, make-up kit and hairstyling ideas. Tip for the week: empty Coca-Cola cans for curlers.

In school she wields her mobile phone, delivers class lectures on the Haitian immigrant problem (so difficult to get them to RSVP to parties) and studs her conversation with airy polysyllables. "Do you have any idea what you're talking about?," a boyfriend finally asks. "Why, do I sound like I do?" she chimes.

We forgive her everything. This girl, after all, lost her mother at an early age thanks to a "freak mistake during routine liposuction", and her father is a big-time lawyer with no time for her. Ms Heckerling does not just forgive, she obviously adores Cher, just as Austen adored Emma. The film-maker must even have attended night classes in Beverlyspeak to get the insane lingo right: "As if!" indicates incredulity. "Not even!" is Bel-Air for "No way".

Meanwhile the camera is a bond-slave on a skateboard, sliding and gliding around the heroine and her pals as they flounce proprietorially through the school grounds or drive unlicensed along Sunset Boulevard in their fathers' caddies.

For the sake of a plot, our tenaciously aloof heroine finally falls for the Big L herself, finding love with her own school-age Mr Knightly. But *Clueless* hardly needed a plot at all. Powered by hot air, it gives us a blissful aerial tour over one of the great terraced social landscapes of the west: one that shows that not all in urban Southern California is robbing, shooting and murder, though all these too – if you have a car and a free afternoon – are available just around the corner.

★

A full-grown man was sniffling in the next seat and I had a mild case of lump-in-the-throat myself. Two rows back a Kleenex packet was being rustled open by furtive fingers. *The Sound Of Music? Love Story?* No, the last scene of Michael Radford's *Il Postino (The Postman)*.

Picture the old Chilean poet Pablo Neruda (Philippe Noiret) alone on the high-cliffed beach where he had taught the art of verse to the simple-hearted Italian postman (Massimo Troisi), who had become his friend during his years of island exile off the Neapolitan coast. It all began like this . . .

Actually, it begins without seeming to begin at all. This is a grace-touched film that glides into your heart without your realising you had left it open. The truth-based script was written by co-star Troisi who – open another Kleenex packet – died of heart disease the day after shooting ended: he had insisted on finishing the film even though surgery was overdue.

Coal-bright eyes in a handsomely charred Sicilian face, Troisi plays the postman with a saintly, slow-witted charm. I don't remember "thought" being conveyed with such perfect comic perplexity since Michael Gambon became a stage star overnight by standing and ruminating in Alan Ayckbourn's play *The Norman Conquests*.

Handing Neruda his daily post, our hero drifts into out-of-depth conversations about verse and image and metaphor. Soon he is courting his bargirl *inamorata* with venturesome stuff about moons and waves. And plagiarism for him is just an unheard-of polysyllable. "Poetry doesn't belong to those who write it," he tells Neruda, "but to those who need it."

Britain's Michael Radford began his feature career with another tale of culture-clashing Italians in *Another Time, Another Place*. Then he made *1984* and *White Mischief* before vanishing without trace. He had obviously fallen into the fourth dimension, prior to being magicked onto this Mediterranean island like Ulysses by Circe. *Il Postino* is an enchanting, sun-touched film. It puts its faith in the power of faces – Noiret's wry and wrinkled prune, Troisi's bemusedly glowing charcoal – while the sky, sea and cliffs queue in the background, awaiting their more permanent places in the poems.

★

In the romantic comedy *Nine Months* the female characters are all pregnant, but it is Hugh Grant who seems about to give birth. Was there ever an actor so composed of tics, flutters, grimaces, stammers and hands nervously sweeping through hair? We feel like saying "Push, Hugh! Push! It (the thought or the feeling or line of dialogue) is coming!"

These mannerisms were endearing in *Four Weddings And A Funeral*. They are more of an endurance now, especially in this tale of anxiety-stricken fatherhood written and directed by Chris *Home Alone* Columbus: a labour of love in which the first noun is operative.

Whirring around like ingredients in a malfunctioning blender are Tom Arnold (wacky best friend), Dr Robin Williams (worst obstetric nightmare), Julianne Moore and Joan Cusack (baby-carriers) and the superior Jeff Goldblum as a Napa Valley artist dispensing epigrams amid some briefly baby-free vineyards.

Goldblum's scenes hold out early hope for a film that might appeal not just to doting first-time parents. Almost immediately, however, we move smartly into Nappy Valley: and if there is a worse movie sight than that of Mr Grant going glycerine-eyed while watching his girlfriend's Ultrasound video I should like to know it.

Mortal Kombat runs it close. A cast of martial artists calling themselves actors fight monsters, special effects, each other and the impassioned idiocies of a video-game-based action screenplay. Directed by the third Briton this week to be hijacked by a foreign culture, Paul Anderson (of *Shopping*), it is too violent for children and too silly for anyone else.

When I saw Michael Moore's *Canadian Bacon* at Cannes, I wrote on my notes "Will never come to Britain." I now eat my notes. Powered by Moore's *TV Nation* fame and his calling-card documentary *Roger And Me*, here comes the limp, ill-scripted caper about a cold war between the US and Canada. Alan Alda is the president needing a ratings-boosting international conflict; Dan Aykroyd has one funny scene as a Canadian patrolman insisting on bi-lingual graffiti; the rest is, or should be, silence.

Alicia Silverstone, Brittany Murphy and Stacey Dash in 'Clueless', Hollywood's update of Austen's 'Emma'

Dance for the people

With lottery cash now being flung about, drunken sailor-fashion, in Rosebery Avenue, the scene on Tuesday night as Phoenix Dance opened its Wells season confirmed every worst suspicions about elitism, snobbery and the generally effete and poovish nature of dance. ("Thirty Million for Ballet" was the happy banner on one Monday front page. "Working class people are subsidising toff's entertainment. This money is going to arty-farty types and it goes on corporate entertainment." Such are the reported views of Terry Dicks MP).

How true, how very true, I realised, as I sat amid the creak of boiled shirts, the flash of white ties, the parures of diamonds and elaborate toilettes of the audience. I thought it was a bit much of the Islington Drag Hunt to fire champagne corks at our heads and bay for a glimpse of a ballerina's knees, but it is all good aristo fun. The entire scene lived up to the ferocious snobberies of Lilian Baylis, who re-opened Sadler's Wells and ran the Old Vic (she was known as the Emerald Cunard of The Cut) to keep the plebs away from art.

Alas, *pace* Mr Dicks, I'm afraid that the populace is on to a good thing. Phoenix Dance, no stranger to this theatre, is sprung from the splendid dance-education system in Leeds, and its audience is young, multi-cultural, appreciative, and entirely at ease at the Wells, which has brought a lot of good dance (and opera and drama) to the broadest of publics. And with the prospect of grand re-building, the theatre will become an ideal home for an awful lot more dance and music and theatre for the mob. Some dross must in future be rejected by a management that has in the past been all-too-ready to shelter anything that moves, but if London has a People's Theatre (which was Miss Baylis's aim, and has given us the Royal Ballet, Royal Opera, and National Theatre) then the Wells is it. The lottery cash will secure that identity.

But how tedious is this yapping about snobbery, and how dated. In 1920, as the Bolshevik revolution took hold, the same cries came from the commissars in Russia. It was Anatoly Lunacharsky, critic and first commissar for public enlightenment, who fought to preserve the arts, declaring that the people must be allowed to enjoy the fruits of the nation's intellectual and spiritual life. There is nothing new.

Phoenix Dance is an admirable troupe which has generated a strong identity from its Leeds roots, where a dance-programme gives new joys and opportunities to inner city youth. A first, and enduring, impression is of the ensemble's exultant dancing. Curtain-rise brought a new piece, *Never Still* from Chantal Donaldson, a member of the company. It is a view of the games people play, and despite an exasperating "score" by Hugues Le Bars (chatter and disjunct racket), it is perceptive about social attitudes, cleverly made, and stunningly danced: the style is smooth-muscled, large in scale, full-blooded. (And Dawn Donaldson has a smile and a personality to lift the heart).

The revival of Philip Taylor's *Haunted Passage* looked very good. It deals with night terrors, finds an ideal partner in Britten's viola *Lachrymae*, and was danced with chilling force by Pamela Johnson, Stephen Derrick, Ricky Holgate. About *Movements in 8*, a big new jazz piece with music on stage from Orphy Robinson and a group of musicians and singers, I am less enthusiastic. The idea of dance and live music interacting, flamenco-fashion, and exploring "African cultural roots", may have value, but the result is sprawling, and, in the choreographies of Maggie Morris and Gary Lambert, unexciting. The best moments come in a final improvisatory burst, but Phoenix's artists merit stronger and more focused material. *Movements* is blurry with good intentions, and clouds the skills of its fine and gifted cast.

Clement Crisp

At Sadler's Wells until October 21. Season *sponsored by Yorkshire-Tyne Tees Television*. Halifax Building Society and Digital fund works in the repertory.

Theatre

Potter's 'Son of Man'

To those many of us who think of the late Dennis Potter as among the most secular of screen dramatists, it is a surprise now to watch his *Son of Man*: which is a re-telling of the story of Jesus of Nazareth, from his emergence out of the wilderness to his death on the cross.

Presented in 1969 as a TV play, it has the reputation of showing us Jesus as rebel and radical. Twenty-six years on, however, in the RSC's new staging of the play, that aspect seems unremarkable. More striking, however, is *Son of Man*'s repeated emphasis on Jesus's own human doubts. "Is it me? Is it me?" he keeps asking himself and/or God; there is even a strong sense of "Why me?"; and so through to the great cry of "Why have you forsaken me?"

Potter's Jesus emphatically refuses to give signs that he is the Messiah; and he performs no miracles. The divinity that inspires him is a disturbing daimon which sometimes wracks and convulses him. "Love your enemies" is that hard core of what he has to preach, and he utters it with the urgency of a man possessed. He knows what will happen to him, and he takes no pride or joy in martyrdom. Meanwhile his story is spliced with those of Caiaphas and Pontius Pilate, each of whom has his reasons for preserving the status quo against Jesus's teachings.

So far so good. The Christ story is, of course, compelling; and Potter's attention to its central irony – God as human being – brings it a new freshness. But some of his writing is distinctly creaky. Repetitious, slow-moving, simplistic. The Galilean fishermen are all slow-witted and dull-minded. The only moderately intelligent people Christ encounters are Caiaphas and Pilate: which is not saying much. The seizure Christ has in the Temple before casting out the money-changers is in the worst hammy tradition of temporary mad scenes.

Bill Bryden directs. Things begin very well with a scene of group carpentry: Jesus and others all sing as they saw and hammer what quickly becomes the cross-shaped stage itself. The singing is good, and the image of co-operation in work is convincing. (Designs by Hayden Griffin.) But the other big orchestrated scene – the torture of Jesus, leading up to his being nailed to the Cross – is atrocious. The action here is taken with gruesome slowness; and John Toms has composed music that pours ponderously over the episode in a loud thumping dirge. Bryden does little to make the disciples' scenes any better than Potter's weak writing. Philip Locke overdoes Caiaphas's sacerdotal pronouncements quite woefully, but John Standing brings a nice urbanity to Pilate.

The great strength of the production, however, is in the casting of Joseph Fiennes in the central role. In the last 18 months we have seen Fiennes Junior play Beliaev in *A Month in the Country* (directed again by Bryden), Rodolpho in *A View from the Bridge*, and now this Jesus; and that he is an important talent is now obvious. Only in minor aspects is he like his brother Ralph. This Jesus is driven, urgent, torn between self-doubt and a need to communicate his mission. Now nervous, now gentle, he can demonstrate a compelling visceral force. Not even he can bring off the fit in the Temple, but elsewhere he is a modern, disturbed Christ who brings out the freshest aspects of Potter's vision. And at times he shows, even amid the greatest vehemence or violence, a quality of inner calm that makes his resemblance to a Raphael absolute.

Alastair Macaulay

In RSC repertory at the Pit, Barbican Centre, London.

Concert/**David Murray**

Carol-singing raised to high art

The latest work from Sir Peter Maxwell Davies is a big piece – as conducted by Richard Hickox on Sunday it took 50 minutes, not the predicted 40 – and a fine one. *The Three Kings* is a Christmas cantata in 21 continuous sections: Yuletide poems and lullabies by Davies's longtime Orcadian collaborator George Mackay Brown, and 15th-century Latin carols newly set by Davies in plainchant-style, with four "Transitions" for the orchestra alone. It required the full strength of the London Symphony and their Chorus, who commissioned it, and a quartet of solo singers.

The mood of *The Three Kings* is melancholy-sweet and mellow, sometimes raptly suspended. Almost anybody would hear it as mellifluous, despite moments when the orchestra rises to abrasive intensity; and almost anybody may feel that it develops cogently and elegantly, whether or not they can find words to say how it works.

Max's musical language has grown increasingly hearer-friendly. Not just in frankly "popular" money-spinners like his *Orkney Wedding with Sunrise*; his recent Fifth Symphony was densely compact to the point of fission, but it drew an admiring ovation from its Prom audience because every laconic paragraph had a tough, palpably musical sense. Nobody doubted that it was the real thing.

In his first, strictly "serial" music of the late 1950s, that was harder to hear. Strict atonal serialism enjoined a "democracy of the 12 notes" – all the notes we have here in the West – which left harmony nowhere. For harmony, there *have* to be favoured base-notes (not necessarily *bass*-notes) which clue our ears into how to hear the others. Yet Max has always averred that his music is instinctively tonal, in the sense of relying upon real, audible harmonic functions.

In the course of time, his early serialist methods have matured into a constructive technique that accommodates harmony without apologies, and leaves it open to the ear. The result in his *Three Kings* is translucent. Moving, too: no less in the calculatedly simple, poignant plainchants – sung in unison, but rich in harmonic implications – than in his virtuoso writing, like the elaborate round for "Circling Star Blizzard" which later combines brilliantly with a "Shepherds and Kings" carol.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

GALLERIES
Stedelijk Tel: (020) 573 2911
● Christiaan Bastiaans: giant video installation; to Nov 26
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8922
● Moses and Aaron: by Schoenberg. A new production directed by Peter Stein and conducted by Pierre Boulez. Soloists include David Pittman-Jennings as Moses and Chris Merritt as Aaron; 8pm; Oct 20, 23, 25, 28

■ BALTIMORE

CONCERTS
Symphony Hall Tel: (410) 783 8000
● Baltimore Symphony Orchestra: with soprano Harolyn Blackwell, mezzo-soprano Delores Ziegler and tenor Karl Dent. Robert Shaw conducts Barber and Mozart; 8.15pm; Oct 19, 20, 21
OPERA/BALLET
Lyric Opera House Tel: (410) 727 6000
● La Traviata: conducted by Alfredo Silipigni and directed by Frank Corsaro. Cast includes Daniela Longhi/Maria Pellegrini, Nicole Blondi and Steven Rainbolt; 8.15pm; Oct 20, 21, 22 (3pm)

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 34384-01
● Madame Butterfly: by Puccini. Conductor Sebastian Lang-Lessing, production by Pier Luigi Samaritani; 7.30pm; Oct 21, 25

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 134 0400
● Radio Symphony Orchestra: Eliahu Inbal conducts Schumann and Mahler; 8pm; Oct 19, 20
● St. Petersburg Philharmonic Orchestra: Yuri Temirkanov conducts Rachmaninov's "Symphony No.2" and selected pieces from Prokofiev's "Romeo and Juliet"; 8pm; Oct 22

■ LONDON

CONCERTS
Queen Elizabeth Hall Tel: (0171) 928 8800
● The Chinese New Tide: with soprano Judith Mok and baritone Shi Kelong. Tan Dun conducts a programme of first generation Chinese composers such as Qu Xiaosong and Chen Qigang; 7.45pm; Oct 22
Royal Festival Hall Tel: (0171) 928 8800
● Guitar Encounters: an evening of guitar, flamenco and Andean music with John Williams, Paco Pena and *Inti-Illimani*; 7.30pm; Oct 24
● Philharmonia Orchestra: Christoph von Dohnányi conducts Richard Rodney Bennett and Mahler; 7.30pm; Oct 19
● The London Philharmonic: with mezzo-soprano Jennifer Larmore, bass José van Dam and the London Philharmonic Choir. Roger Norrington conducts Berlioz's "The Damnation of Faust"; 7.30pm; Oct 25
OPERA/BALLET
Royal Opera House Tel: (0171) 304 4000
● Tosca: by Puccini. Conducted by Simone Young and directed by Jeremy Sutcliffe. Soloists include Galina Gorchakova, Johan Bohta and Francis Egerton; 7.30pm; Oct 20

■ MUNICH

GALLERIES
Haus der Kunst
● Impressionist Masterpieces: from the Barnes Collection. Artists include Matisse, Picasso, Van Gogh and Gaugin; to Oct 22

■ NEW YORK

CONCERTS
Carnegie Hall Tel: (212) 247 7800
● BBC Symphony Orchestra: with violinist Nadja Salerno-Sonnenberg. Andrew Davis conducts Carter, Glazunov and Brahms; 8pm; Oct 25
● Maurizio Pollini: pianist plays an all-Beethoven programme; 7.30pm; Oct 23
● Pittsburgh Symphony Orchestra: with flutist James Galway. Lorin Maazel conducts Gould, Mercandate, Maazel and Bartok; 8pm; Oct 27
● Pittsburgh Symphony Orchestra: concert performance of Wagner's "Tristan and Isolde" conducted by Lorin Maazel. Soloists include Carol Yahr, Heinz Kruse amd Falk Struckmann; 8pm; Oct 28
● Symphony Orchestra of Montreal: with pianist Yefim Bronfman. Charles Dutoit conducts Berlioz's "Les Francs-Juges", Saint-Saens' "Piano Concerto No.2", Chausson's "Symphony in B Flat Major" and Ravel's "Spanish Rhapsody"; 8pm; Oct 21
● Symphony Orchestra of Montreal: with pianist Louis Lortie. Charles Dutoit conducts Berlioz's "King Lear. Overture", Beethoven's "Piano Concerto No.4", Martinau's "Symphony No.5" and Enesco's "Romanian Rhapsody"; 3pm; Oct 22

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 49 52 50 50
● National Orchestra of France: with pianist Andreas Haefliger. Claus-Peter Flor conducts Mozart and Bruckner; 8pm; Oct 21
GALLERIES
Centre Georges Pompidou Tel: (1) 42 77 12 33
● Feminine and Masculine: the sexuality of art. Exhibition exploring sexual identity and its effect on twentieth century artists; from Oct 19 to Jan 8

■ STOCKHOLM

GALLERIES
Pro Persona Tel: (08) 20 44 27
● Kjell Engman: contemporary sculptures in glass and metal; to Nov 11

■ VIENNA

CONCERTS
Gesellschaft der Musikfreunde Tel: (1) 505 1363
● Czech Philharmonic: with soprano Angela Maria Blasi and bass-baritone Thomas Quasthoff. Gerd Albrecht conducts Eben, Mahler and Dvořák; 7.30pm; Oct 28
● Viennese Symphony Orchestra: Rafael Frühbeck de Burgos conducts Wagner, Brahms and Beethoven; 7.30pm; Oct 21, 22
OPERA/BALLET
Wiener Kammeroper Tel: (1) 512 0100
● The Turn of the Screw: by Britten. Conducted by Edgar Seipenbusch/Joan Grimalt. Soloists include Mark Duffin, Olga Schalaewa and Felix Purzner/Ingo Petersen; 7.30pm; Oct 21, 23, 25, 28

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● BBC Symphony Orchestra: with violinist Nadja Salerno-Sonnenberg. Andrew Davis conducts Delius, Glazunov, Carter and Bartók; 2pm; Oct 22
● National Symphony Orchestra: with pianist James Tocco. George Manahan conducts Debussy's "Iberia", Stravinsky's "Concerto for Piano and Wind Instruments" and Rachmaninov's "Symphonic Dances"; 8.30pm; Oct 19, 20, 21, 24
● National Symphony Orchestra: Sir Neville Marriner conducts Bartók, Mozart, Nelson and Beethoven; 8.30pm; Oct 26, 27, 28
● Pittsburgh Symphony Orchestra: with violinist Hilary Hahn. Lorin Maazel conducts Mendelssohn and Bartók; 8pm; Oct 25
GALLERIES
Hirschhorn Museum Tel: (202) 357 2700
● Directions-Martin Kippenberger: works on paper. Approximately 50 satirical drawings on hotel stationary by the German artist along with some of his collages and drawings on paper; to Oct 22
National Gallery Tel: (202) 737 4215
● Winslow Homer: more than 225 works including 86 oils by the American artist; 8pm; to Jan 28
OPERA/BALLET
Kennedy Center Tel: (202) 467 4600
● Suzanne Farrel Staged Balanchine: an evening of George Balanchine choreographed pieces performed by an ensemble of dancers from companies such as the Paris Ballet, the American Ballet Theatre and the New York City Ballet. The programme includes "Chaconne", "Slaughter on 10th Avenue" and "Tzigane"; 8pm; Oct 19, 20, 21, 22 (2pm)
THEATRE
Kennedy Center Tel: (202) 467 4600
● Master Class: by Terrance McNally. Zoe Caldwell stars as Maria Callas, reliving her triumphs and tragedies as she coaches a trio of young singers; to Oct 22
Shakespeare Tel: (202) 393 2700
● Macbeth: by William Shakespeare, directed by Joe Dowling. Cast includes Stacy Keach; 7.30pm; to Oct 21

WORLD SERVICE

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17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

The boy who breathed numbers

BOOK REVIEW

BUFFETT: THE MAKING OF AN AMERICAN CAPITALIST
By Roger Lowenstein
Random House. $27.50. 473 pages

An entire industry seems to have been founded on Warren Buffett, the legendary investor from Omaha. It has spawned computer programs which pick stocks the Buffett way, television shows, and even companies which aim to emulate Berkshire Hathaway, the Nebraskan's corporate vehicle. One almost expects the multi-billionaire's bristling eyebrows to appear on T-shirts and car stickers.

But the staple of the business remains the book, and now here is another. It would be a shame if the Buffett-book bonanza caused anyone to resist this latest offering. For this book is more thoroughly researched and perceptive than those which have gone before.

It is also a highly readable account of the man and his methods. And while chapters on the secrets of his stock-picking success and on his involvement with Salomon Brothers are fascinating, the book is the more interesting for the light it throws on Buffett's personality.

In writing it, Lowenstein has interviewed Buffett's family, friends and business associates extensively, gained access to Securities and Exchange Commission documents, and dug up legal cases, as well as reading the collected works of Buffett. Indeed, all the book lacks is the collaboration of its subject. However, it gives enough evidence of Buffett's talent for dissembling to suggest that this is no great loss.

While much of the Buffett industry sells the idea that you too can make a fortune investing the Buffett way, this book makes it clear that you cannot. Buffett's talent is a singular one. Further, on discovering the cost to Buffett and his family of his obsession with getting rich, you might not want to.

For Buffett seems to take little pleasure from the money he has made by his single-minded pursuit of it. As his friend Ann Landers, the agony aunt, puts it: "What he does is piling and heaping and heaping and piling. So what is this all about?"

Buffett's highly developed genius as an investor depends partly on a rare mathematical ability and a photographic memory, both displayed from an early age.

The myths of his childhood are retold here, such as the tale of the six-year-old Buffett buying a six-pack of Coca-Cola for 25 cents and selling each bottle for 5 cents. "The boy lived and breathed numbers," according to Doris, Buffett's older sister.

There are many examples of Buffett using this talent when doing deals, astonishing even the bankers involved by his grasp of the intricacies. An avid reader of annual reports, he appears capable of recalling the details of every one. This is not a talent the ordinary investor can boast of.

Nor will the average investor be likely to spot undervalued companies in the way Buffett makes look so easy. As Lowenstein says, when people think they can copy Buffett's system of investing, they are confusing ease with simplicity.

He writes: "Buffett's methodology was straightforward, and in that sense 'simple'. It was not simple in the sense of being easy to execute. Valuing companies such as Coca-Cola took a wisdom forged by years of experience; even then there was a highly subjective element."

But those abilities would be nothing without the drive to make money, which appears rooted in a deeply unhappy childhood. Although Buffett idolised his father, Howard, a stockbroker and later a congressman, his relationship with his mother, Leila, the book reveals, was difficult.

Leila's own mother and one of her sisters were institutionalised, while another sister committed suicide. Leila was the victim of mood swings which would turn her normal good humour to fury without warning. She would, Lowenstein says, "rage at her children with an unrelenting meanness, sometimes not letting up for hours. She scolded and degraded her children. Nothing they had done measured up."

It seems that Buffett has spent the rest of his life determined to "measure up". Even as an adult with children of his own, Buffett would back away from his mother's kiss and would "shake or go mute at the sight of that ageing and shrivelling tormentor". When one of his sons, then at college, was reduced to tears by the Leila treatment, Buffett told him: "Now you know how I felt every day of my life."

It is small wonder that the young Buffett took every opportunity to get out of the house. He virtually lived with his schoolfriends' families, ran away from home when the Buffett family moved to Washington DC, and passed his time dreaming up money-making schemes.

His fascination with investing has thrown a shadow over his relationships as an adult. After 25 years of being adored but ignored, his wife Susie moved out to find a life of her own as a singer. Although remaining his public wife, she helped to find him a day-to-day "wife", Astrid. The three send relatives gifts with cards signed "Warren, Susie and Astrid".

His three children found him a remote father. Workaholic parents often justify their life-style by saying they are doing it for the children. But Buffett has made it plain he will not leave his billions to them, nor use the money to help them in his lifetime.

His friends have many tales of his meanness. Asked once for a dime to make a phone call, he responded that he had nothing less than a quarter, but would go and change it.

To Buffett, money is not what it can buy or the pleasure it can bring, but what it can become if invested and compounded over years. In the determination to prove to the world, to himself or to his mother that he is the best, he has amassed a $13bn fortune. He has surely proved his point.

Maggie Urry

ECONOMIC VIEWPOINT

The need for more subtle franc fort

By Samuel Brittan

The official French policy of the *franc fort* - that is keeping the exchange rate of the franc against the D-Mark as close to the central official parity as possible – does not enjoy a good press outside French establishment circles. Most English-speaking financial commentators detest it. There is also a muttering from French dissident politicians and industrialists who believe that high real interest rates are holding back the French economy.

Nevertheless, a hostile intellectual climate is not the same as a conspiracy to bring down the *franc fort*, which French rulers have been too inclined to see behind every adverse market development in recent years. The financial markets are dominated by thousands of traders, who would face disaster if they followed ideological leanings in their dealings.

If then there is no conspiracy, how can one explain the successive bouts of downward pressure the franc has suffered since 1992? The Trésor and the Banque de France can point to pretty strong "fundamentals". France suffered a less severe recession than either the UK or Germany. Since 1993 the French growth rate has been similar or slightly better than Germany's. French inflation has been less than the German rate for nearly five years running. The closing of the gap this summer is probably a blip due to higher French indirect taxes. France has also been running a current balance of payments surplus.

The sceptics will reply that these achievements have been brought about at the expense of high unemployment and growth rates below those which France needs to utilise its productive potential. French three-month real interest rates have been running at a premium above German rates and even at times above British rates. The critics say that France needs a lower, and not a higher, real interest rate than that of Germany or the UK because of its worse unemployment problem. Although French unemployment has fallen, it is 3 percentage points above the German rate and nearly 2½ points above the British on a standardised basis.

The next round of the argument contains a paradox. The leaders of French financial policy assure one that the main reason for high French unemployment is not monetary or exchange rate policy but structural rigidities. These range from the minimum wage to 70 different regulations governing working time and very heavy social security add-ons to wage bills. (The IMF estimates that France has an "output gap" no higher than Germany's or Britain's.) Yet many of the Eurosceptics, who proclaim the glories of Thatcherite deregulation in the UK, brush aside all these considerations for France and assume, in common with the unreconstructed Keynesian left, that demand deficiency and an overvalued exchange rate explain all French economic problems.

There is now a new wrinkle. The one fundamental on which France is not doing well is its budget deficit which amounts to more than 5 per cent of gross domestic product. The French government has said it will bring its deficit down to the 3 per cent or less which will be required by 1997 if it is to qualify as a founder member of Emu on the set date of 1999. How serious the Chirac government will be about tackling this deficit remains to be seen. A clue will be provided when details of the social security reform are published. But budgetary retrenchment, it is said, will add to the forces making for slow growth and high unemployment; which will make the task self-defeating, unless interest rates are cut. Thus there appears to be a conflict between the Maastricht budget requirement and the exchange rate requirement.

Loyalist French economists have queried the view that budgetary retrenchment slows down growth; and they can quote "Anglo-Saxon" studies in support. But these studies assume some flexibility in interest rates which has not been possible with a rigid *franc fort* policy. And even if this view is correct, it is not that of the financial markets: their pessimism has been reinforced by the labour troubles which have accompanied efforts to hold back public sector pay.

The time may thus have come to make more use of the 15 per cent margin of fluctuation allowed by the new Exchange Rate Mechanism inaugurated in August 1993. Although the Maastricht treaty lays down that a country must be within the normal ERM limits for two years prior to joining EMU, this has become meaningless since the disappearance of the the narrow ERM with its 2¼ per cent margins. The new consensus, which includes the Bundesbank, is that an *ex post* judgment of a currency's stability will be made in the spring of 1998.

Understandably France did not take full advantage of the wider margin in 1993 when it was anxious to demonstrate that it was still concerned with a stable exchange rate. But in defending the franc, the Banque de France has had the great advantage of not being committed to any particular floor. Thus speculators have not had a one-way bet and this has probably been its most important single weapon.

Surely the time has come to take the policy a stage further. Why not give priority both to reducing the budget deficit and to pursuing an interest rate policy devoted to expanding the French economy as far as is feasible without renewing inflation? The reason why French interest rates were never expected to be below German interest rates was a simple one: that the D-Mark was never expected to be devalued against other currencies in the ERM. In other words the best that the franc could do was to stay level with the D-Mark; and the downside risk was that it would fall.

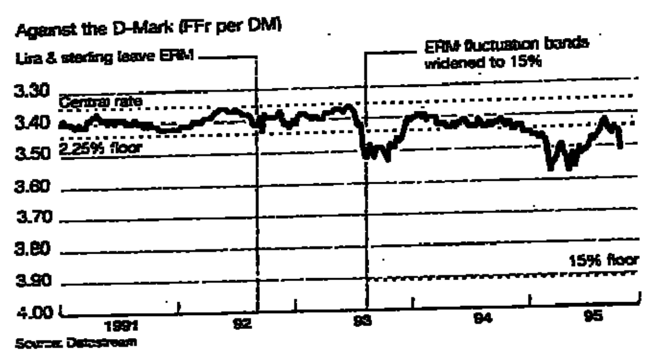
But this assumption could one day be challenged, especially if the French fundamentals are as good as officials claim. In that case, there is no reason why there should not be phases when the D-Mark depreciates against the franc. This would be especially true if the franc temporarily fell within the new wider margins, but the essentials for financial stability were maintained.

Unfortunately, a previous French finance minister, Edmond Alphandéry, helped to trigger the 1993 crisis because he thought aloud prematurely about this possibility. Similarly, John Major spoke of sterling taking over the role of the anchor currency from the D-Mark a few months before the UK tumbled out of the ERM altogether.

Any French policy to take advantage of the wider ERM margins would have to be introduced with a great deal of finesse. For markets would understandably fear that political considerations had pushed the French government into taking more risks with inflation. Indeed the best way to introduce it would be to put the emphasis on cutting the budget deficit while leaving extra flexibility in interest rate policy to emerge from events.

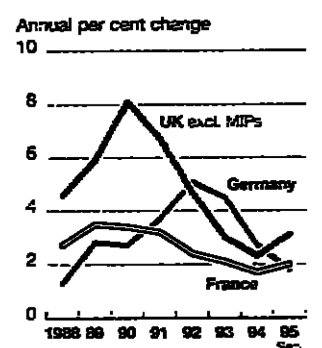
But if the French government is really serious about Emu, it should give priority to fiscal restraint and allow the franc a little more margin for flexibility in what it must hope will be its last few years of separate currency existence.

French franc



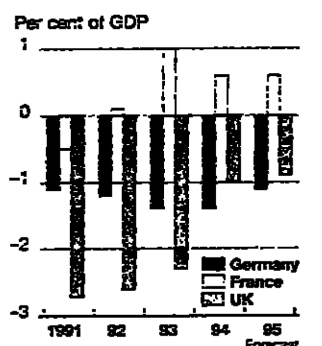
Source: Datastream

Inflation rates



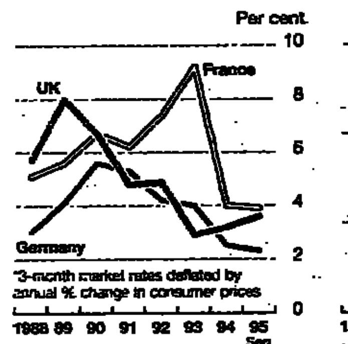
Source: HMT Datastream

Current account balances



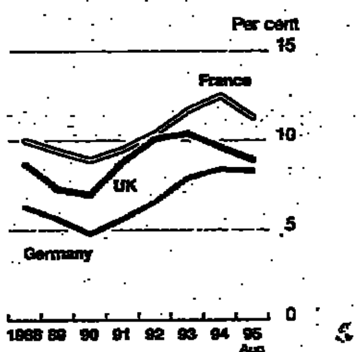
Source: Eurostat

Real interest rates*



*3-month market rates deflated by annual % change in consumer prices
Source: HMT

Unemployment rates



Source: OECD

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Banks see through confusion to their financial advantage

From Mr P.M. Martin.

Sir, John Plender seems to imply that something fundamentally new is happening between financial institutions and their clients ("Banks shape up to a cold climate", October 13). Not so.

The adage that opportunities exist in areas of confusion is as old as markets themselves. If there is an imbalance of information or understanding between buyer and seller, then the better-endowed party can obviously use that superiority to financial advantage.

A good example is indeed derivatives (and several other financial instruments, even basic foreign exchange, before corporate treasuries caught on). Others are personal pensions and even Latin American debt (where certain governments simply lured naive commercial loan officers into their parlours).

It is the ability to spot where there is trading in ignorance, so to speak, that offers profit potential for the astute. Less perceptive counter-parties may well risk some capital.

Over time, banks are obviously good spotters, since their accumulated earnings massively outweigh the occasional cost of lapses in vision.

That in itself is a useful pointer for others playing with the banks in high stake games.

P.M. Martin,
Coachways,
Woodlands Drive,
Rawdon,
Leeds LS19 6JZ, UK

Motives behind US healthcare reform

From Mr Paul Davis.

Sir, Michael Prowse's article ("Gingrich is good for healthcare", October 16) detailing the republican plans for healthcare reform in the US is consistent with his normal hawkish stance. However, it fails to take into account the motives behind the Speaker's plans for healthcare reform, namely the promise to balance the budget by 2002, recapture the White House in 1996 and pay for the $245bn in tax cuts.

Republicans often cite the latest trustee's report on the Medicare Trust Fund, forecasting its imminent bankruptcy, but fail to mention the trust fund has been faced with collapse nine times since 1970. Each time it has been saved without imposing any pain on the beneficiaries.

In 1994, the Clinton administration proposals for healthcare reform, if somewhat convoluted, were derided by Republicans claiming them to be unnecessary and that any crisis was purely a figment of an over-feverish presidential imagination. Finally, as proof of a hidden agenda, the trustees have actually requested $100bn over the next 10 years to secure the trust fund. Three times that amount has far more to do with balancing the budget and securing tax cuts. The Congressional Budget Office has concluded that Republicans could achieve their goals of cutting $270bn from Medicare growth over the next seven years, but patients (through higher premiums) and doctors (through lower fees) would bear the brunt of the reforms.

Paul Davis,
26 Suffolk Road,
Sidcup, Kent DA14 5DD, UK

Robustness of borrowing yardstick questionable

From Mr Peter Scott.

Sir, I was interested to read that Lex intends to use debt-market capitalisation, as opposed to balance sheet gearing, as its preferred yardstick for borrowings ("Goodbye gearing", October 9). As a publisher of statistics on Stock Exchange companies, I am sympathetic to the problem of establishing true and inter-company comparable balance sheet values. However, does market capitalisation really represent a more robust and appropriate yardstick against which to measure borrowings? Two phenomena seem to make it incongruous:

● General economic sentiment and other external influences – eg interest rates – have an impact on share values and I find it hard to accept the idea that borrowing ratios fluctuate as a result;

● Borrowings represent a company's present-day obligations, whereas the market capitalisation against which they would be measured reflects the market's perception of its future prospects. Some technology companies, for example, might on this basis appear to be conservatively borrowed while having enormous debt in relation to the hard assets available to cover them if those prospects are not realised.

Can your readers suggest other ways in which companies' borrowings might be measured and compared?

Peter Scott,
Hemmington Scott Publishing,
26-31 Whiskin Street,
London EC1R 0BP, UK

A timely definition of British conscripts

From Mr John Edward.

Sir, While I appreciate that Stanley Crossick's suggestion of "Eurotom" as one hundredth of an "Euro" was a misprint, and should have read "Euratom" (Letters, October 11), the former expression could still be a timely addition to the vocabulary of the European Union. After all, if the unlikely day ever comes that there is the common European army that UK defence secretary Mr Michael Portillo has such bad dreams about, surely the "Eurotoms" would be the British conscripts?

John Edward,
11 rue le Titien,
1040 Brussels, Belgium

A futile gesture

From Mr J.M. Fleming.

Sir, There is a certain heroic futility to the decision of the UK's Medicines Control Agency to withdraw melatonin from non-prescription sale in the UK ("Sales of anti-jet lag hormone banned in UK shops", October 14/15).

Those most likely to find these drugs of value in combating the effects of jet-lag are precisely those best able to buy them in another jurisdiction where the MCA's writ does not run!

J.M. Fleming,
11606 Starwood,
Houston,
Texas TX 77024-5113,
US

Star quality derivatives

From Mr Andrew Bolton.

Sir, The article "Stars in a material world" (October 11) describes the large sums record companies must pay to attract or keep established stars. The companies must hope to recover the signing fees from sales.

Rather than gambling on success I suggest that a simple application of derivatives would assist the companies. A star's previous sales for each album will give a measure of the important unknown volatility, the companies would then enter into a put option with a bank, and the option would be exercised if record sales for a new album failed to meet a predetermined target.

Andrew Bolton,
chairman,
Derivatives Special Interest Group,
Information Systems Audit and Control Association,
29 Ludgate Hill,
London EC4 7JE, UK

CORRECTION

Mr J. Parfitt

Mr J. Parfitt's letter (October 14) should have read the words of such as Mr Portillo and Mr Heseltine are "unmatched by any willingness to reject the often unreasonable demands of European institutions..."

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FINANCIAL TIMES

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Thursday October 19 1995

Colonial reckoning

More than 30 years after granting Algeria independence, France is still embroiled in the affairs of its former colony. Eight bombings in France since July have been claimed by the Armed Islamic Group, one of the protagonists in the Algerian civil war. In their attempt to track down the perpetrators, the French authorities have resorted to harsh security measures by which several million French residents of North African origin feel threatened.

France is becoming aware that it has a problem not only with Algeria but with a substantial indigenous minority on its own soil. Rather like blacks in America, these "beurs" are largely assimilated into French culture, but feel marginalised by French society. Some young males express their resentment through crime. Some turn to religion, more or less politicised. Generally these are alternatives but, to a handful of individuals, terrorism offers the chance to combine the two.

French official protestations of neutrality in the Algerian conflict have never been convincing. Under the previous government they were uttered only by Alain Juppé, then foreign minister, while his colleague at the interior ministry, Charles Pasqua, gave unflinching support to Algeria's military regime.

Disappointed hopes

Mr Juppé's elevation to prime minister last May led some to hope for a more genuine neutrality. They were disappointed. Mr Pasqua's men and policies remained in place. Mr Juppé backed away from the cautious support he had given earlier in the year to the Rome agreement for a democratic solution, reached by Algerian opposition parties. French financial support for Algeria continued, and French political support helped secure a $1.8bn three-year credit facility for Algiers from the IMF, as well as rescheduling of $7bn of Algerian debt owed to the Paris Club.

Finally it was announced that President Jacques Chirac would meet his Algerian counterpart, Lamine Zeroual, at the UN in New York next week. General Zeroual has insisted on holding presidential elections next month, in which he is himself a candidate, without first negotiating a ceasefire or reaching agreement with opposition parties, almost all of which are boycotting the poll. For the French president to meet him in these circumstances inevitably looks like a gesture of support. Mr Chirac's claim that his actual purpose is to insist on a political dialogue followed by free parliamentary elections has not convinced the opposition in either country.

Closer links

A somewhat similar train of events is unfolding in the Ivory Coast, another former French colony in another part of Africa, with which France has retained even closer links. There too the incumbent president, Henri Konan Bedié, is seeking legitimacy through an election (to be held this Sunday) which opposition parties are boycotting because the electoral code and voters' register have been manipulated to exclude their candidates. The Ivory Coast has so far been spared the ethnic and factional violence which afflicts so many of its neighbours, but many observers fear it will slide in that direction if the president persists in his present policies, thereby wrecking one of Africa's few economic success stories. Only France, which keeps troops in the country as well as giving it economic aid, has the influence to persuade him to change course.

The example of Algeria, among others, shows how difficult it is to escape the cycle of violence once it takes hold. In Algeria's case the violence has taken the lives of 50,000 people since it began in 1992. It can be ended only by negotiation, in which the Islamic Salvation Front, the party that won the election of December 1991, is an indispensable partner. An escalation of violence between now and November 16 may be unavoidable. What must be hoped is that once the presidential election is over, Gen Zeroual will have a freer hand vis a vis the hardliners in the armed forces, and that Mr Chirac will indeed urge on him the vital importance of dialogue. French support for such regimes, like British opposition to sanctions on South Africa in the 1980s, can be justified only if the influence thereby gained is put to good use.

Ministers and their agents

It is now evident that to describe the Prison Service as "operationally independent" of the home secretary is to stretch the meaning of words beyond credibility. This puts in serious doubt the propriety of Mr Michael Howard's dismissal of the service's director-general for shortcomings in strategic leadership identified by the Learmont report. It also raises questions about the status of the other 108 executive agencies established since the late 1980s to take over the service delivery functions of central government.

In theory, ministers determine "policy" while agency chief executives are responsible for "operations". But in the case of the Prison Service, this week's disclosures make it hard to disagree with the verdict of Judge Stephen Tumim, the chief inspector of prisons, that "if you are dividing policy and operations it means the home secretary is not responsible for anything at all".

It may be that the two functions are necessarily inseparable in the case of prisons, given the degree of physical coercion involved. But whatever view is taken of the principle, in practice it is not possible to separate them while there is no political consensus about either sentencing policy or prison conditions. For this places at ministerial discretion two of the most critical "operational" constraints on the prison service.

Mr Howard underlined the point this week in his summary rejection of Sir John Learmont's recommendation in favour of televisions in cells. Sir John supported TV on the operational grounds that it would reduce "explosive situations" within prisons. But it offended against Mr Howard's avowed policy of a "decent but austere" prison regime.

Current confusion

The reality was also highlighted by Mr Derek Lewis's claim that he was required to attend the home office on average once a day "to discuss, inter alia, operational matters". If this is even half true, it makes a nonsense of agency autonomy.

It would have been better not to establish the Prison Service as an executive agency, but to retain it as an integral part of the Home Office. This need not require the home secretary's resignation after every prison breakout, nor would it rule out initiatives such as devolution of greater responsibility to governors and private sector contracting, subject to effective Home Office control on each site. But it would remove the current confusion about who takes, and is accountable for, key decisions concerning the prison regime.

This does not, however, undermine the case for executive agencies across the board. There have been other instances, notably the Child Support Agency, where perpetual controversy about a reform has made it impossible to separate the underlying policy from its implementation. Yet in most other areas covered by agencies, the policy framework is far more stable, and a clearer distinction can be made between broad strategic objectives and the management task required to achieve them.

Starkly exhibited

This is most obviously so in the case of quasi-trading agencies such as the Passport Office. But it is also true of the Employment Service and the Benefits Agency, where chief executives cannot separate themselves entirely from wider policy, but nonetheless have a clearly defined management task which is better performed by being separated from a Whitehall department.

However, the status of agency chief executives, notably the nature of their accountability to ministers and to parliament, has not been properly resolved. This is starkly exhibited by the rules governing the appearance of chief executives before parliamentary committees, which state that they "give evidence on behalf of the minister to whom they are accountable and are subject to that minister's instruction".

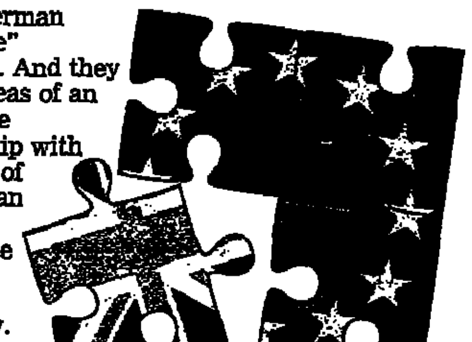
If autonomy means anything, this rule is unacceptable. Its very existence is a commentary on the weakness of select committees and their neglect of agencies. Agency chiefs should be accountable to parliament for the performance of objectives agreed with ministers, and they should be subject to no ministerial instructions in that regard. To underpin their autonomy, their appointment and dismissal should be subject to ratification by the appropriate House of Commons select committee.

The impact of last week's Conservative party conference in Blackpool continues to reverberate in Europe. Indignation at the anti-European rhetoric has given way to a more sober reflection about the direction of UK policy and Britain's long-term position inside the European Union.

The trigger was a speech by Mr Michael Portillo, UK defence secretary, in which he attacked the European Commission and pledged not to let Brussels "control" British defence policy. He invoked the bogey of a common European army wearing harmonised cap badges and working to a 35-hour week.

But it was the enthusiastic applause of those present – who included Mr John Major, prime minister – that has shaken many of Europe's leaders. The response of a sample of European politicians, financiers, industrialists and academics to questions put to them by the Financial Times shows they are watching the British debate with trepidation.

Their answers reflect an overwhelming consensus in favour of Britain participating fully in European integration, including economic and monetary union. They believe that British resistance to European integration could make a Franco-German "hard core" inevitable. And they see UK ideas of an alternative relationship with the US or of acting as an offshore "enterprise centre for Europe" as illusory.



Search for a perfect fit

Lionel Barber asks 10 leading opinion-formers in Europe for their views on Britain's EU policy and its impact on the continent

Romano Prodi, former head of IRI, the Italian state holding company, academic and likely centre-left candidate for prime minister:
Britain is fighting British fears. But Europe is on the eve of huge decisions. These last days we see how Germany is increasingly aware of the role it is to play in Europe. It is hard to imagine Theo Waigel, German finance minister, making the remarks about Italy [not making the first wave of Emu countries] two years ago.

We must decide whether we want European political union or not, otherwise the events will become more and more difficult to manage. I am in favour of a "hard core", even if Italy is not in the first rank of countries joining.

Yugoslavia shows Europe has no role in foreign policy. This vacuum is either taken by a political Europe or by Germany. The vacuum cannot go on for much longer. A Franco-German structure is better than nothing. Even if the UK is against Emu, the UK must still be involved in foreign policy and security. These decisions are more important than the political debate among the Tories and Labour. I hope that the the intergovernmental conference next year will not be wrapped up hastily like the French want.

I don't think we can wait many years to settle these questions. This is a very sad scenario, but it is urgent, urgent, urgent to start closer political co-operation.

Gijs de Vries, Dutch MEP and head of Liberal Group in the European Parliament:
There is a neo-romantic streak in the British debate on Europe. This notion of Britain as a sovereign offshore island is a 19th century view; we should be looking at a 21st century reality.

Two questions arise: how to handle relations with Russia to ensure peace and stability; and what policy to pursue with Germany, which is the linchpin in political and economic relations. Do we want a non-Russian Europe to be dominated by Germany, or Europe to lead with the help of Germany?

I am struck by the historic myopia of opinion-formers in the UK. For the first time we have a Germany willing to share power with us. It is not clear whether this offer is going to remain open, so we must grasp it now. The offer which Chancellor Helmut Kohl is making [on political union] is unique. It is not a United States of Europe. We are very different from the US. It is not a European super-state. But if you want to come to grips with centrifugal tendencies in Europe, you need to take some institutional risks.

Efthymios Christodoulou, MEP and former Bank of Greece governor:
The UK has a financial centre in London. It's going to disappear if the UK does not belong to monetary union. Eddie George, the Bank of England governor, thinks this is rubbish, but that assumes that Emu will develop in a liberal way. But it will not without Britain; it will close up. Things don't stay the same. The Germans will develop Frankfurt or Paris, or will buy up London as they are already doing.

Things are going Britain's way in Europe. The British are right in emphasising competitiveness in a future monetary union. You need to enhance the competitiveness of Europe as a continent. It's a mistake to take an incestuous approach [limiting those taking part in Emu]; that's the static German model. You need a dynamic model. But you cannot have Emu without a modicum of political integration. The British have no need to be afraid of political union.

Like everyone else, they should look to exercise influence beyond their size through EU membership.

Viscount Etienne Davignon, former EU industry commissioner and chairman of Société Générale de Belgique, Belgium's biggest company:
The key question is monetary union. The only requirement for Emu is France and Germany. The UK has managed to ensure that it is no longer considered an indispensable component of Emu.

Does the UK want to belong to a "stability" zone of 150m people, ie those economies that enjoy the same competitive economic performance? To believe that UK competitiveness is related to exchange rate differentials is ludicrous. It will be fascinating to see if the UK meets the convergence criteria, and then decides to stay outside.

The positions taken by the UK government will increase the uncertainty. We await to see what Mr Tony Blair's position is. Is it really in the British interest to say, as some commentators have, that France cannot meet the criteria? That is only to make a self-fulfilling prophecy about France which is harmful to everyone else. It is also negative for the UK, whose economy is fundamentally affected by what happens beyond its shores.

Peter Sutherland, former EU competition commissioner and former secretary-general of the General Agreement on Tariffs and Trade:
When we all joined the process of European integration, we knew it was based on a sharing of sovereignty. The minority in Britain who vociferously oppose the European Union apparently seek to rewrite history, and to transform the nature of the Union into no more than co-operation between nation states.

All that this achieves is to damage the prospects of achieving legitimate ends. Europe needs Britain for a myriad reasons. It needs it for its tolerance and moderation as much as for its economic and political stature. That tolerance and moderation is not reflected by emotive nationalistic table-thumping.

At the end of the day, the UK may well be in the monetary union, if and when it happens, and probably as an original member.

Elisabeth Guigou, socialist MEP and former French minister for European affairs:
I was shocked by what Mr Portillo said. There are no plans for a common European army. The guiding principle is that no country can be coerced against its will to participate [in European integration], but no country should be able to block others from going ahead. I hope Britain stays in the Union and participates because it can bring a lot.

A Franco-German hard core may happen if the UK is too negative, but it is not an *a priori*. The European public wants a Union that works, not just a free trade area. But I recognise that things are difficult for Mr Major before the next UK general election. Tony Blair has an open mind; there is not the same blocking mentality we see today.

Horst Teltschik, director of German carmaker BMW and former foreign policy adviser to Chancellor Kohl:
The heated controversy as to how the process of European integration should proceed is possibly a result of the British emphasis on free market enterprise. It is imperative the protagonists of free trade and liberal markets on a global basis say Yes to Europe. This is the only way for their ideas to regain authority.

Britain should join the hard core, not fear it. European unity is a locomotive whose momentum is now unstoppable. The brake-van seems to me an odd place from which to drive a train. If we leave the countries of central and eastern Europe to their own devices, an explosive situation is likely to develop. I see a prominent role for Britain both as an arbiter and a driving force for eastern enlargement.

Wilfried Martens, head of the European People's party and former prime minister of Belgium:
People simply cannot understand why Mr Major approved Mr Portillo's speech. German delegates to this week's CDU party congress in Karlsruhe were appalled. We heard similar expressions from Mrs Thatcher, but we turned her round on the 1985 single act, and we turned Mr Major round at Maastricht.

The fear today is that there is no more momentum in European integration. Chancellor Kohl is the only leader who can restore momentum, through political union. The Germans must have political union to accompany monetary union, or they will never give up their D-Mark.

António Guterres, Portugal's prime minister-elect:
Britain should remain in the group of states driving the construction of Europe forward. My view is that an image of being a constant brake on efforts towards European integration is negative for Britain's diplomatic identity. In addition, Britain's presence is a permanent guarantee of the European Union's opening to the Atlantic.

The institutional identity of the European Union is founded on a union of states who place certain aspects of their sovereignty in common. No one believes or is truly interested in building a European "super-state". We therefore see no reason for fear.

There are two possible hard cores in the construction of Europe: the first built around monetary union; the second built around a deepening of the European Union's political and defence identity. Participation in monetary union depends on meeting the convergence criteria and on the political will of each state to adopt a single currency. Our view is that the political and defence identity of the European Union should not be conceived on the lines of a national state. It should contain flexible elements and be based on a philosophy of intergovernmental co-ordination.

Uffe Ellemann-Jensen, former Danish foreign minister, tipped as possible Nato secretary-general:
The fears in Blackpool were greatly exaggerated and serve only to take away the attention from the real danger in today's Europe: that we are too late in bringing central and eastern Europe into the Union. If the UK is not ready to carry some of the burdens of enlargement, such as making a Union of 25-30 member states workable through stronger decision-making, it is hard to believe it is serious.

We need Britain, just as Britain needs Europe. Without Britain, we will have a weaker relationship with the US. But the British should also realise that their "special relationship" implies British participation in the EU. A Britain at odds with the rest of Europe cannot command much interest in Washington.

Keeping an eye on the UK: (left to right) Irishman Peter Sutherland, Romano Prodi of Italy, Elisabeth Guigou of France, Viscount Davignon of Belgium, Uffe Ellemann-Jensen of Denmark

OBSERVER

Never say never

■ There was much relief in Washington yesterday at the news that a site had been chosen for the Bosnian "proximity" peace talks, due to start at the end of the month.

It's going to be Wright-Patterson air force base, near Dayton, Ohio. The base gets its name in part from the local pioneering flying brothers, Wilbur and Orville Wright.

This exercise in "shuttle diplomacy without the air miles" – as one US official has put it – posed a real problem for the host country. Wanted: somewhere big enough to house three Balkan delegations – with separate but equal cooking facilities – in comparable comfort, plus room enough for representatives of the western contact group. The site also needed to be secure enough to keep the negotiators in, and the press out.

Camp David, the president's retreat in the Maryland mountains where Sadat and Begin cut their deal in 1977, was swiftly ruled out; it would have raised the stakes too high and besides, there's no plan for President Clinton to be present.

Private country estates, such as those belonging to the Harrimans and Rockefellers in New York, were also excluded – too close to the bright lights and TV studios of Manhattan. Resort hotels, such as the Greenbriar in West Virginia, are prohibitively expensive in these days of budgetary austerity. In any case they have central kitchens and would pose security problems.

No, Wright-Patterson it had to be, not only for its security but also because it has spacious living quarters for three full generals, not common on military bases.

But a word of historical warning to those with so much invested in getting the peace talks off the ground. At the turn of the century, the local mayor proclaimed: "Man will never fly but if he does he will not come from Dayton, Ohio." Oh well.

Bubble bubble

■ The Brent Spar may be bobbing quietly in its temporary home in a Norwegian fjord, but there's no let up in the battle between the UK government and its European allies over the eventual disposal of the platform.

Yesterday Department of Trade and Industry officials in the UK compared data from the latest report on the platform's pollutant contents with those regularly flushed down the Rhine river.

The "Rhine Time index" shows that the same amount of lead on board the Brent Spar is flushed down the Rhine every minute; an equivalent quantity of cadmium every 3 hours; the same amount of mercury every 70 minutes; of zinc, every 3.5 days; and of copper every 14.2 days.

Have you ever noticed how many Rhine fishermen have a remarkably sallow look these days?

Hue and cry

■ The French media yesterday did a war dance about Alain Madelin, the free-marketeer sacked as economics minister in August, having a formal lunch with Alain Juppé, the prime minister responsible for his sacking.

What could it mean? The very least was an early return to power for Madelin, though all he would say afterwards was that the food was good. Not much news in *that*.

Let's get this into perspective. Juppé and President Chirac have had so many political lunch guests recently that if all of them were in line for promotion then even the French bureaucracy would be hard-pressed to find room. What for example would Robert Hue, the Communist Party leader, be in line for? Head of bus pass distribution?

Staying healthy

■ Settling down after a dual life as a high-flying international corporate executive and an undercover agent for the FBI can't be easy. But Mark Whitacre, the former president of Archer Daniels Midland's BioProducts group, appears to have landed on his feet.

Dismissed by Archer Daniels on August 7, on charges that he embezzled more than $9m from the company while acting in his dual role as executive and government "mole" over a three-year period, the 39-year-old Whitacre first attempted suicide, and then disappeared from public view. He's now resurfaced in Chicago as chief executive of a budding biotechnology firm called Future Health Technology.

But Whitacre's main business may still be untangling legal problems. A key witness in the US government price-fixing investigations in three of ADM's major markets, he is himself the subject of a Justice Department criminal investigation.

Still, for the moment he's sitting pretty. He recently told the Chicago Tribune that he has $6m tucked away in offshore bank accounts, contending that the cash came through an invoicing scheme that company officials knew about.

His other former employer, the Justice Department, must still determine if he is free to keep those funds – or to be be free at all.

Sincere concern

■ Grim days in Moscow, and the jokes aren't much better. For instance. Two contract killers are waiting for a doomed businessman to arrive home.

"Hey, Kolya, the man is late," one finally says, clutching his pistol. An hour passes. "Hey, Vanya, I'm getting worried," says the other. "Maybe something bad happened to him?"

The Financial Times

100 years ago

Mining shares rally
Attention on the Stock Exchange yesterday was almost entirely monopolised by the mining market where prices, after slumping away in the morning amid intense excitement, rallied sharply before the close. The carry-over in Barnato Banks was arranged more easily than had been anticipated, and this greatly assisted to strengthen the tone. Quotations relapsed more or less all round, but in the majority of cases the finish was above the worst, and the feeling in the evening was distinctly more cheerful.

50 years ago

Lex on tractors
A financial columnist has perforce to think in terms of shares in companies which are publicly quoted. In the process, he may do injustice to companies whose shares are all or mainly privately held. I said the other day that Ford had the tractor market to itself. That generalisation has brought a courteous if pained epistle from the managing director of David Brown Tractors Ltd. At the present time there are more David Brown tractors in use in this country than of any other one type of all-British tractor.

FINANCIAL TIMES
Thursday October 19 1995

New company to be world's biggest in the sector

Brussels backs Daimler and ABB rail merger

By Emma Tucker in Brussels and Ian Rodger in Zurich

The European Commission yesterday approved the merger of the railway equipment divisions of Daimler-Benz, the German industrial group, and ABB Asea Brown Boveri, the Zurich-based electrical engineering group, which will create the world's biggest company in the sector.

Permission was given after the companies agreed to sell Kiepe Elektrik, a Düsseldorf-based Daimler subsidiary that makes electrical fittings for local trains and trams and had a turnover of about DM140m ($100m) last year.

ABB's Mr Kaare Vagner, who is to be chief executive of the new ABB Daimler-Benz Transportation, said the companies accepted the Commission's decision. He said the groups aimed to get their 50/50 joint venture, which will be based in Berlin, into operation at the beginning of next year. They had not yet decided whether Daimler's agreed $900m payment to ABB to compensate for its smaller size and weaker performance would be made this year.

Mr Vagner said his priority was to intensify the marketing push in central and eastern European countries, China, India and South America. Both ABB and Daimler's AEG subsidiary rank among the world's four leading railway equipment suppliers, alongside Siemens of Germany and the Anglo-French GEC Alsthom alliance.

One of the aims of the merger is to accelerate rationalisation in a sector that has been highly fragmented, with many small companies protected by local governments and their railways.

Mr Vagner said no new significant acquisition negotiations were pending, but said ABB was already tendering for the signalling equipment business of British Rail and for Pafawag, Poland's leading rolling-stock maker. There is little overlap in the two companies' activities, except in Germany where 9,200 of their combined 22,000 employees work, and where some rationalisation is expected. Mr Vagner confirmed one difficulty would be untangling about 20 cases in which ABB and AEG were competing against each other in different consortia for rolling-stock contracts. The largest was for the north-east corridor rail project in the US, but projects for lines in Copenhagen and Hong Kong linked to new airports were also important.

"At least until we are legally established, we will leave things the way they are. We hope we can combine the consortia in some cases. We have to handle them very carefully and honestly. These companies are all potential partners so we want to keep good relations with them."

The European Commission described the merger as having "outstanding and far-reaching European significance". It was only in Germany that the two companies' activities overlapped, and where the Commission feared competition in the market for trams and underground train systems could be stifled.

Neue Maxhuette Stahlwerke of Germany yesterday became what is understood to be the first steel company in the European Union to be ordered to repay state aid. The European Commission said Bavarian credits of DM49.9m ($33.9m) were incompatible with European Coal and Steel Community rules and the EU's steel aid code and should be paid back.

India to let foreigners own 20% of share depositories

By Mark Nicholson in New Delhi

Foreign institutions will be allowed to own up to 20 per cent of India's proposed share depositories, the clearing houses designed to automate the present paper-based share trading system, according to a consultative paper issued by India's stock market regulator.

The introduction of depositories is widely viewed, particularly by foreign investors, as the most important remaining reform to India's capital markets and one which could substantially increase inflows of foreign portfolio investment.

Foreign institutions have invested just under $4bn in India's markets since their opening in 1992. The delays, costs and risks of India's cumbersome system of physical share transfer and registration are by far the most common complaint by foreign investors.

Settlement of share transactions can take at least three or four weeks, while "bad deliveries", where documentation is queried by one or other party to a trade, account for perhaps a fifth of all trades on the Bombay stock market, adding to delays.

Registration of share ownership, necessary for payment of dividends or resale, can take months or even years.

The government has issued an ordinance allowing for the creation of the depositories, which would clear share trades by computerised book-entry, the norm in North American and most European bourses. All transactions would be registered virtually instantaneously.

The Securities and Exchange Board of India has asked investment institutions to respond within five days and is seeking to publish regulations before the end of this month.

The paper says the depositories must be capitalised at no less than Rs1bn ($28.8m) and be 51 per cent owned by institutions, including stock exchanges (of which there are 23 in India), commercial banks or other financial institutions.

Multiple depositories would be permitted, but only one would be a central depository, which would clear trades between the others.

Once the regulations are in force, financial institutions are expected to make specific proposals to set up the first share depositories. Among the first is expected to be the Stock Holding Corporation of India (SHCIL), a body owned by India's main state-owned financial institutions and the Indian stock market's biggest share custodian.

SHCIL has been working for more than two years on establishing India's first depository and, according to Mr R. Chandrasekaran, SHCIL's managing director, could have software and systems in place by January. Citibank, the US bank, and the Bombay Stock Exchange are also discussing joint participation in a depository.

Intel set to put $1bn into Irish factory

Continued from Page 1

opment agencies have tried to attract Intel investment, Irish officials said the main competition has come from existing Intel plants, in Israel and the US.

Intel typically expands production as far as possible at established sites before choosing new locations for its factories. Ireland is now a favoured location for US computer products companies when they build plants in Europe. For high-growth companies like Intel, the main attraction is Ireland's low 10 per cent corporation tax.

Intel this week reported a 46 per cent jump in third quarter revenues to $4.17bn, Net income rose to $931m, an increase of 41 per cent from the same period a year ago.

Kohl loses quota fight over party jobs for women

By Peter Norman in Karlsruhe

Mr Helmut Kohl, the German chancellor, suffered an unexpected setback when his Christian Democratic Union yesterday refused to back a plan to allocate a third of its party offices to women.

The CDU leadership's quota proposal failed by five votes to gain an absolute majority of the 1,000 delegates to the party's annual congress in spite of the chancellor's strong appeal for its acceptance.

Mr Kohl said he would try again at the next annual congress. In the meantime, he said, there was much to be done at all levels of the party to increase the representation of women. "Democracy is a difficult thing. But life goes on, and next time we will get the quota. That I promise you."

The proposal was backed by 496 of the 821 who voted, with 288 opposing and six abstentions. Mr Kohl blamed the rejection of the plan on the 31 invalid papers – voting took place after a confusing procedural discussion.

Rejection was an undoubted blow to the chancellor, who told delegates a vote for the quota was a vote for the future, but an even bigger blow for Mr Peter Hintze, the CDU general secretary and prime mover behind the proposal.

Because the quota was so closely associated with Mr Hintze, Mr Kohl's authority in the party is unlikely to be dented. But it brought the congress to a muted close just days before an important state election in Berlin where the CDU had expected increased support.

Mr Hintze had backed the women's quota to redress an imbalance between the 54 per cent of the German population who are women and the CDU's relatively low female membership. Only a quarter are women. The percentage of female MPs in the Bundestag, the lower house of parliament, is even lower.

The party leadership had made clear the quota plan had not been affected in by Tuesday's European Court ruling against employment quotas to promote women in the workplace.

In yesterday's debate, not all women delegates favoured a quota. One delegate feared it would lead to discrimination against women in the party because it would be thought they had not achieved office through their own merits. Another said it would do nothing to motivate women activists.

The congress gave qualified approval to another proposal to reform the party. It rejected a plan that would have opened the way for carefully controlled referendums of party members on policy issues but accepted that such polls could be used to settle personnel questions.

THE LEX COLUMN

California coupling

The proposed merger of Wells Fargo and First Interstate hardly comes as a shock. The logic of a deal between the two California-based banks has made such a coupling the subject of speculation for years. But the launch of a hostile bid is surprising. It suggests not only that Wells Fargo ran out of patience but also that it may have felt under growing pressure to act as the pace of consolidation in the US banking sector accelerated.

It is hard to imagine that First Interstate, an obvious bid target, will be able to resist the fairly plump 25 per cent premium over Tuesday's closing price implied by Wells Fargo's stock offer. The deal values First Interstate at about 2¾ times book value, putting it at the top end of the range of recent bids.

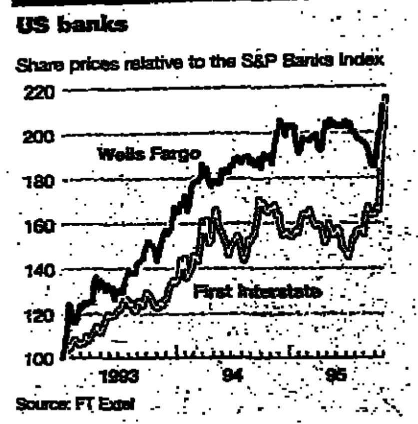
This does not mean Wells Fargo is overpaying. The franchise has a scarcity value and the deal will enhance earnings, which have recently shown signs of flagging. But with estimated annual cost savings of around $700m, it will be difficult for a rival to justify a counter-bid. The merger also represents an effective defensive move, preventing rivals from taking a chunk of the western US market.

The fit of these two banks is particularly good, both geographically and strategically. The risk for other banks is that it will increase the pressure on them to do deals. The danger for those that have not yet acted is that they will either be forced to overpay or miss out and so lose competitive edge.

FT-SE Eurotrack 200: 1531.34 (+6.32)

US banks

Share prices relative to the S&P Banks Index



Source: FT Extel

Ivax Nycomed

Even in an industry consolidating as rapidly as pharmaceuticals, the merger of Ivax of America and Norway's Hafslund Nycomed stands out. The fact that the two have so little in common makes them almost perfect partners. It also means the deal, unlike previous combinations, such as Pharmacia and Upjohn or Glaxo and Wellcome, does not rely much on cost-cutting.

Instead, each company's primary business complements the other's secondary one. Ivax is world leader in generic (off-patent) drugs but also number one in the US in intravenous solutions such as hospital drips. Nycomed dominates the market for X-ray solutions and its leading product is the top seller in American hospitals. It has, however, been busily diversifying into generics.

The geographic fit is even more clear cut. Four-fifths of Ivax's revenues come from North America, while Nycomed makes two-thirds of its sales in Europe. Pumping the combined product range through each other's distribution channels should enhance sales growth and score points with big purchasers like hospital groups and managed-care providers.

The only question mark is financial. The proposed share exchange avoids tax penalties for investors and the huge goodwill charge of a conventional takeover. But it cannot disguise the fact that Ivax, which is growing faster but is much less profitable, is being valued at around 30 times earnings against 20 times for Nycomed. Given the enhanced earnings prospects, shareholders are unlikely to quibble.

SAP

Given the extent to which SAP undershot expectations for its third quarter, yesterday's 6 per cent decline in the German software company's stock was subdued. The market had been expecting third-quarter profits to rise around 50 per cent; the actual increase was only 15 per cent. Other stocks in the volatile high-tech sector have been hammered for much less.

However, the market's moderate reaction looks right. SAP's third-quarter profits were deflated by two special factors. First, customers probably held back from buying its software package in anticipation of this month's launch of an updated version. Sales growth should bounce back in coming quarters. Second, SAP's costs shot up, as it established a bigger service organisation. Costs will grow less swiftly in future. Even by the software industry's standards, SAP's shares – which trade on nearly 40 times next year's earnings – enjoy a fancy multiple. Nevertheless, it dominates the market for packaged business applications software, with its logistics, personnel and financial management programs. This gives it an edge as companies buying similar packages will have a tendency to choose the programs their main customers and suppliers have already adopted.

Though rivals such as Oracle are certainly not giving it a free run, SAP will be hard to dislodge. With the world market for SAP's type of software still in its infancy, the company's earnings may grow an average of 30 per cent a year for the next decade. In that context, one quarter's disappointment is a minor blip.

W. H. Smith

The great advantage of developing a record for dramatic disappointment is that it becomes much easier to please. W. H. Smith saw its share price rise 6 per cent by revealing a £20m package to reposition the business and a trading statement that was less than dismal. Nonetheless the picture it paints does not encourage enthusiasm. Waterstone's, Virgin and Our Price continue to do well, but represent only a quarter of UK retail profits. The sales decline at Do It All is slowing, but it remains a long way from break-even. Meanwhile, the core W. H. Smith chain achieved only marginal sales growth, despite rebranding and increased marketing.

W. H. Smith is being squeezed by supermarkets on one side and by another high street dinosaur, Woolworths, on the other. Furthermore, book retailing after the collapse of the Net Book Agreement presents challenges. Moving away from the cosy world of sale-or-return retailing, it faces risks on stocks. Finally, its policy of a steady stream of provisions, rather than a whirlwind restructuring, suggests the potential of several years of Chinese water torture.

Nonetheless, this year's profits have been subdued because of the summer's heat wave, so next year should provide an easier comparison. The shares are on only a small premium to the market based on current forecasts, whereas the immediate prospect of a new chief executive could put the company on a recovery rating. Given the extent of its problems, however, it will be hard for any recovery to be sustained.

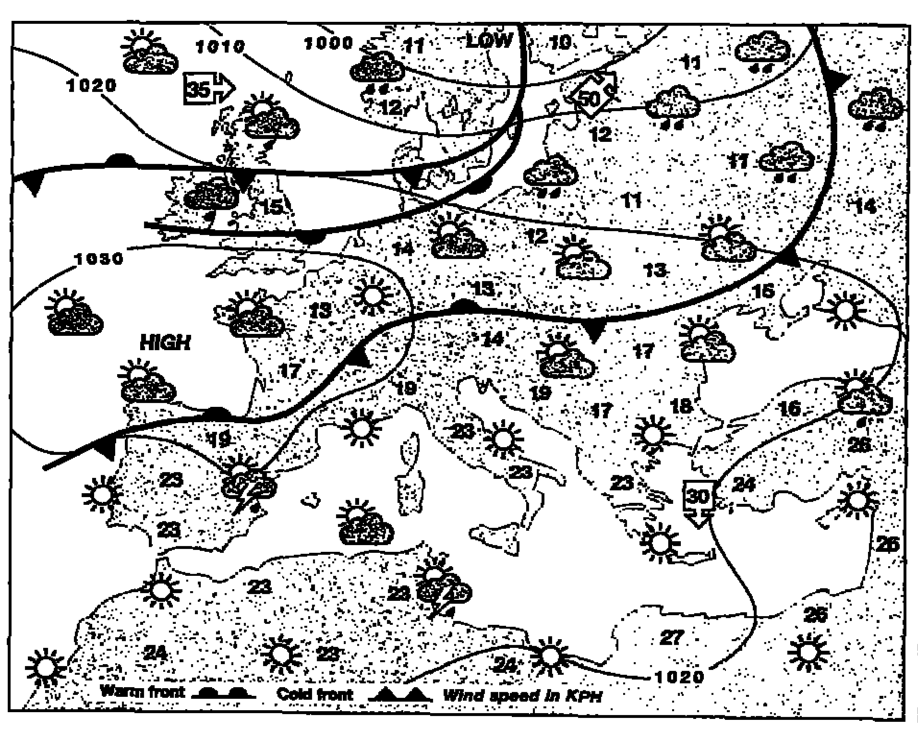
FT WEATHER GUIDE

Europe today

A westerly air flow will spread unsettled conditions across Scandinavia, resulting in rain along the western coast as well as eastern Finland and the Baltic states. Southern Sweden will have broken cloud. Northern Scotland will become clearer in the afternoon, but there should still be showers. Southern Scotland, northern England and northern Ireland will be overcast with steady rain. The southern UK, the Benelux, Germany and much of France will have frequent sunny spells. The south-western and eastern parts of the Iberian peninsula will be sunny. It will also be mainly sunny over much of Italy and the eastern Mediterranean. Eastern and central Europe will have sunny spells.

Five-day forecast

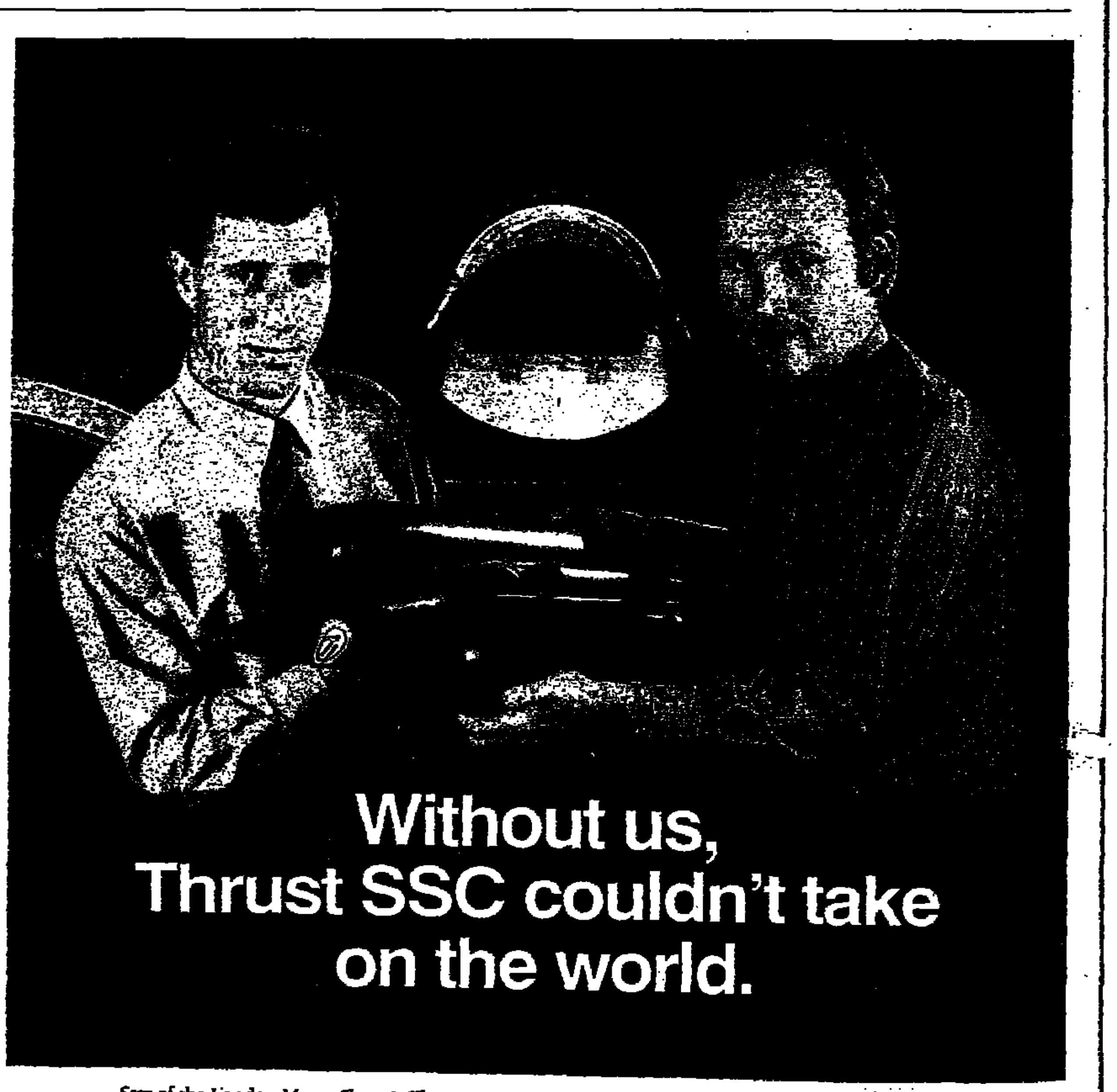
High pressure over the Gulf of Biscay will gradually retreat to the west, placing the north-west of the continent and the UK in line for approaching low pressure systems. Frontal disturbances will begin to push inland causing rain and cloud over the UK, the Benelux, northern Germany and Scandinavia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius																
			Beijing	sun	19	Caracas	fair	31	Faro	sun	25	Madrid	fair	22	Rangoon	cloudy	34
			Belfast	rain	16	Cardiff	fair	15	Frankfurt	fair	14	Majorca	sun	23	Reykjavik	cloudy	3
Abu Dhabi	sun	33	Belgrade	sun	18	Casablanca	sun	23	Geneva	fair	17	Malta	fair	23	Rio	cloudy	24
Accra	fair	31	Berlin	fair	14	Chicago	shower	19	Gibraltar	fair	21	Manchester	fair	16	Rome	sun	22
Algiers	fair	23	Bermuda	thund	26	Cologne	fair	13	Glasgow	rain	16	Manila	shower	30	S. Frsco	sun	24
Amsterdam	fair	14	Bogota	cloudy	20	Dakar	sun	31	Hamburg	shower	13	Melbourne	rain	25	Seoul	fair	18
Athens	sun	21	Bombay	rain	32	Dallas	sun	29	Helsinki	rain	10	Mexico City	fair	22	Singapore	thund	32
Atlanta	fair	25	Brussels	fair	13	Delhi	sun	31	Hong Kong	cloudy	27	Miami	thund	31	Stockholm	shower	14
B. Aires	fair	22	Budapest	fair	18	Dubai	sun	34	Honolulu	fair	32	Milan	sun	19	Strasbourg	fair	18
B.ham	fair	16	C.hagen	rain	13	Dublin	fair	17	Istanbul	sun	17	Montreal	fair	10	Sydney	sun	26
Bangkok	thund	32	Cairo	sun	28	Dubrovnik	sun	23	Jakarta	fair	32	Moscow	rain	11	Tangier	fair	23
Barcelona	shower	22	Cape Town	shower	20	Edinburgh	rain	16	Jersey	fair	15	Munich	fair	16	Tel Aviv	sun	27
									Karachi	sun	36	Nairobi	fair	27	Tokyo	cloudy	24
									Kuwait	sun	34	Naples	sun	23	Toronto	cloudy	15
									L. Angeles	sun	28	Nassau	fair	29	Vancouver	fair	13
									Las Palmas	sun	29	New York	fair	22	Venice	sun	21
									Lima	fair	19	Nice	sun	22	Vienna	cloudy	18
									Lisbon	sun	25	Nicosia	sun	29	Warsaw	fair	14
									London	sun	17	Oslo	fair	13	Washington	sun	28
									Lux.bourg	sun	12	Paris	fair	16	Wellington	sun	13
									Lyon	fair	18	Perth	fair	18	Winnipeg	cloudy	7
									Madeira	fair	28	Prague	fair	15	Zurich	fair	17



FINANCIAL TIMES
COMPANIES & MARKETS

 Thursday October 19 1995

IN BRIEF

USAir has second quarter in profit

USAir, the airline currently in talks with two potential bidders, reported continued profits in its third quarter, giving it two consecutive profitable quarters for the first time in six years. Net income was $43.1m compared with a loss of $180m in the same period last year. Page 18

Chip maker fixes share issue price
SGS-Thomson, the Franco-Italian semiconductor manufacturer, announced a price of $43.50 per share for an issue expected to raise about $800m and intended to fund expansion, including recently announced plans for a FFr4bn ($780m) semiconductor plant. Page 19

Thomson-CSF returns to FFr364m profit
Thomson-CSF, the French defence and electronics group, reported a return to profits of FFr364m ($71.6m) for the first half of the year, compared with a loss of FFr176m last time, in the face of growing difficulties for the defence industry.
Page 19

Neste privatisation gets under way
The privatisation of Neste, Finland's biggest industrial group by sales, began after the oil, energy and chemicals company announced a 52 per cent rise in profits for the first eight months. Page 19

KPN sell-off signals change of tone
Advertisements for this month's sale of a second tranche of shares in Koninklijke PTT Nederland (KPN), the Dutch telecoms and postal company, are noticeably more subdued than during the flotation of the first tranche in June 1994. The change of style reflects the more considered atmosphere now surrounding European telecoms privatisations.
Page 20

Bonds to lift Japanese banking gloom
Japanese banks have had their balance sheets and international reputations weakened by talk of crisis. But when they report half-year results next month, they are likely to announce big increases in core business profits thanks to the strength of the country's bond market. Page 22

Ownership a key to the future for Fairfax
Australia's John Fairfax newspaper group faces numerous questions over its future direction, not least the question of possible changes in the country's media ownership rules after next year's federal elections. Page 22

Body Shop to make advertising debut
Body Shop International, the UK cosmetics group, is to launch its first advertising campaign in an attempt to raise its profile in the US after losses there contributed to a 26 per cent fall in first-half profits to £9.1m ($14.1m). Page 24

Gucci floatation to be expanded
The forthcoming Wall Street flotation of Gucci, the Italian fashion house, is to be increased in size by 8.5m shares to a total of 24.5m shares because of heavy demand. The offer closes on Friday and the price is expected to be announced on Monday. Trading should start in New York and Amsterdam on Tuesday. Page 26

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Karstadt	633	+	11
VEW	475	+	15
Falls			
Asko	720	–	40
Bilf & Berger	565	–	25
Heidelb Zem	890	–	15
SAP	212	–	14
NEW YORK ($)			
Rises			
Intel	68	+	2½
Microsoft	97⅛	+	6¼
Sun Micro	73¾	+	5¼
Falls			
Am Airlines	67	–	1½
Caterpillar	52¾	–	1¼
Grace WR	57⅛	–	8
LONDON (Pence)			
Rises			
Bluebird Toys	367	+	97
Britannic	705	+	30
JBA	380	+	42
Northern Elec	852	+	36
Falls			
Eurodollar	128	–	10
Tring	86	–	12
TORONTO (C$)			
Rises			
Delrina	22	+	2
Newbridge Net	40¼	+	1½
Scott Paper	21½	+	1¼
Falls			
Franco-Nevada	75	–	1¾
Inco	43¾	–	1¼
Potash	95¼	–	1¼

PARIS (FFr)			
Rises			
Roussel-Uclaf	783	+	11
Falls			
Bouygues	500	–	22
Danone	783	–	12
Gen des Eaux	408	–	16.3
Intertechnique	476	–	18
Lyonn des Eaux	435	–	12.1
TOKYO (Yen)			
Rises			
Daiwa Bk	680	+	15
Nitto Chem	1060	+	50
Oki Elec	935	+	12
Falls			
Haseko	379	–	21
Kenwood	545	–	100
Sanwa Bk	1800	–	20
HONG KONG (HK$)			
Rises			
Bk East Asia	27.85	+	0.4
HSBC	114.5	+	1
Vtech	13.2	+	0.5
Falls			
Dao Heng Bk	28.4	–	0.7
Swoco	37	–	0.5
Sun Hung Kai	62.25	–	1
BANGKOK (Baht)			
Rises			
KR Precision	184	+	6
Serm Suk	318	+	12
Falls			
Alphatec Elec	308	–	22
Prop Perfect	220	–	16
Sri Charoen	168	–	18
TPI Polene	171	–	18

New York & Toronto prices at 12.30.

SAP profits growth slows to 47%

Nine-month result fails to match 'tempestuous' first half at German business software group

By Andrew Fisher in Frankfurt

SAP, the business software company which has been one of the best recent performers on the German stock market, continued to grow rapidly in the first nine months of 1995 but at a less stunning pace than earlier in the year.

The company said pre-tax profits rose 47 per cent to DM385m ($275m), compared with what it called a "tempestuous" growth rate of 80 per cent in the first half. Analysts had expected a slowdown, but had generally forecast a 60 per cent rise to at least DM420m.

SAP said the results met its expectations, although the strong German currency reduced profits by DM25m as foreign earnings were worth less in D-Mark terms. It said sales growth in the fourth quarter would not match the exceptionally strong final quarter of last year. "The year-on-year growth rate will, therefore, further decline."

Since investors have become used to SAP's earnings performance outpacing forecasts, the preferred shares – included in the DAX index of 30 top German shares since mid-September – fell DM13.20, or 5.9 per cent, to DM209.80. At one time yesterday morning, the shares dropped to DM201. They have more than doubled this year.

To make the shares more affordable for small investors, their nominal value was reduced to DM5 from DM50 each in August. About half the free floating shares are held in the US. Directors own most of the voting stock and a fifth of the preferred shares.

Mr Michael Wand, analyst with Paribas Capital Markets in London, expected the shares to rise again as SAP's growth continued. He said the costs of developing its service network in existing and new markets (such as Asia) and of upgrading its successful R/3 business software had led to a more marked deceleration than foreseen.

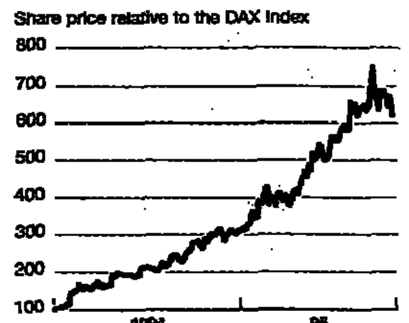
Some customers had also held back from placing new orders until the upgraded product was available, he said. Thus SAP should benefit next year from a further order improvement. Costs should also settle down as growth in the workforce dwindled. The number of employees rose 23 per cent in the first six months and 4 per cent in the third quarter.

SAP said sales continued to rise strongly, with a 57 per cent gain to DM1.79bn in the nine months. In the US, sales grew 70 per cent to DM544m. Product revenues, accounting for 70 per cent of sales, were 60 per cent higher at DM1.25bn. Consulting and training revenues, on which profit margins are lower, grew sharply.

Lex, Page 16

SAP

Share price relative to the DAX index



Source: FT Extel

Hostile $10bn bid for First Interstate could create a West Coast banking powerhouse

Wells Fargo lines up for a shotgun wedding

When Mr Warren Buffett next addresses the shareholders in Berkshire Hathaway, his investment company, he will have quite a story to tell. First came this summer's merger of Walt Disney with Capital Cities/ABC, the US's biggest entertainment industry merger – at least until it was topped by Time Warner's bid for Turner Broadcasting. Mr Buffett's position as Cap Cities's largest shareholder made that one of his biggest pay-days.

Now comes what may turn out to be the US's biggest banking takeover – and Mr Buffett has another ace up his sleeve.

Back in 1990, when the US banking industry was struggling with bad debts and high costs, the Sage of Omaha bought 10 per cent of Wells Fargo, a San Francisco bank, for $290m. His stake, since raised to nearly 14 per cent, is now worth $1.5bn – thanks in part to Wells Fargo's unsolicited offer for First Interstate, made yesterday.

With Wells Fargo, Mr Buffett picked what has turned out to be one of the best-run banks in the US. Having bought California rivals like Crocker National in the late 1980s, along with a batch of the state's smaller banks, Wells Fargo set about slashing costs and developing a broad range of mutual funds and other retail banking products.

Based entirely in California, though, it has had to contend with a struggling state economy and faces the prospect of slower growth than some other Western states in the years ahead.

That is where First Interstate comes in. With assets of $55bn and 1,100 branches that extend across 13 Western states, First Interstate has built up one of the strongest networks in a booming region.

It would provide, first and foremost, ample fuel to feed Wells Fargo's cost-cutting machine. Wells Fargo has brought its non-interest costs down to only 54 per cent of its revenues, one of the lowest in the industry. First Interstate, at 58 per cent, has further to go.

Besides applying its own cost disciplines, Wells would also benefit from overlap in California between the two banks' networks. Together, the banks could cut around $700m from their combined costs, or 30 per cent of the total, according to Mr Paul Hazen, Wells Fargo's chairman.

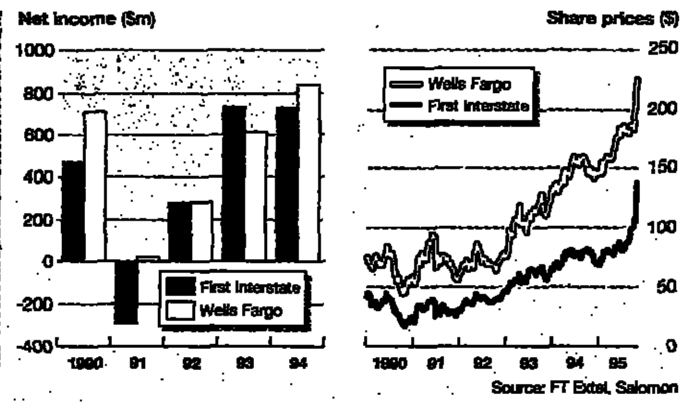
Other possible bidders could only hope to reap cost savings of around 10 per cent, says Mr George Salem, a banking analyst.

A takeover would also provide Wells Fargo with some handy geographic expansion and a better chance than it has alone to grow its revenues. First Interstate would bring a presence in southern California (Wells Fargo is stronger around its northern Californian home), along with some commanding shares in other Western states.

The opportunity for cost savings puts Wells Fargo in a stronger position to launch a bid than any other US bank, and makes a higher offer from elsewhere unlikely. At 2.7 times First Interstate's book value – compared with a multiple of about two paid in other bank takeovers this year – few others are likely to try to compete.

How the banks compare

Paul Hazen, chairman of Wells Fargo



Source: FT Extel, Salomon

The overlap could have some disadvantages, though: California already has one of the most concentrated banking markets in the country, and a takeover would leave just two banks – Wells Fargo and BankAmerica – with about 60 per cent of the state's deposits.

That could be difficult for state regulators to swallow. Wells claimed yesterday that competition would only be an issue in the Sacramento region. And in a clear attempt to play to regional pride, Mr Hazen said: "We are convinced the state of California will benefit by having two of the country's major banks headquartered in the state." A takeover by a bank from another state would weaken California's "economic and social fabric," he added.

'We are convinced the state of California will benefit by having two of the country's major banks headquartered in the state'. A takeover by a bank from another state would weaken its 'economic and social fabric'

Unusually, Wells Fargo said it would treat the merger for accounting purposes as a purchase, rather than a pooling of interests. The different accounting treatment would enable it to register an immediate increase in earnings per share, while leaving it free to instigate further large share repurchases, according to Ms Carole Berger, a banking analyst at Salomon Brothers.

The accounting treatment will leave Wells Fargo with annual goodwill charges of $400m, which will eat into earnings, the bank said. However, it added that reported earnings would not give a true indication of its power to mount share repurchases in the years after the deal. In all, the bank could have $7.5bn available to repurchase shares by the year 2000, if its earnings projections after the merger proved correct, Mr Hazen said.

If shareholders of both banks have a lot to gain, it was less clear what was in it for customers. Like other US banks involved in takeovers this year, Wells Fargo offered little in the way of explicit promises about better service or lower costs for its customers.

However, Mr Bill Zuendt, the bank's president, offered some generalised assurances from this year's bank takeovers. "I think what you're going to see is the cost of banking going down," he said.

The greater benefits would come from the lower costs that will stem from the mergers, with Wells Fargo itself set to become "by far the most efficient in the country," he added. Those benefits are unlikely to be felt across all customers, though.

The less well-off may have had to pay more – in the form of higher banking fees – for the same service.

Exactly when, and in what form, any benefits will emerge has yet to be seen.

Lex, Page 16

Richard Waters

Ford slide deepens gloom for carmakers

By Richard Waters in New York

Ford rounded off a generally dismal third quarter for the big US carmakers yesterday with a 68 per cent fall in after-tax profits, to $357m.

The company's earnings slump, which Ford said was likely to extend into the final three months of the year, stemmed from falling production volumes and higher launch costs. Like General Motors, which reported third-quarter results the day before, Ford plunged into a loss in Europe.

At 28 cents a share, down from $1.04 a year before, the company's earnings came in lower than the gloomy estimates of most Wall Street analysts. Its results were supported by a lower tax charge, and by record after-tax profits in its financial services businesses, which climbed 10 per cent to $558m.

Ford's results bring the net income of the three big US automakers to $1.4bn for the third quarter, down from $2.3bn a year ago. Only General Motors recorded an earnings improvement, though its performance was flattered by comparison with a particularly poor third quarter in 1994.

Mr Alex Trotman, Ford's chairman, said the company was going through "a transitional period ... in the near term". The costs of launching a number of vehicles in North America and Europe would pay off later as economies on both sides of the Atlantic continued to show steady growth, he predicted.

Ford's US automotive business saw its net income slump to $187m, from $553m a year before, as a result of lower volumes due to model changes. Vehicle sales fell to 869,000, about 12 per cent lower than a year before. In Europe, a $37m loss from last year widened to a loss of $320m. About $200m of the deterioration was due to higher marketing and launch costs. Foreign exchange movements cost a further $50m.

Other international operations reported a loss of $68m, compared with a profit of $103m, a year before. The problems stemmed mainly from Latin America, where earnings were down by $200m, offset in part by an improvement in Australia.

Commenting on the final months of this year, Mr David McCammon, Ford's vice-president for finance, said: "Overall, results will remain below last year's quarter – well below."

Finnish paper groups reap rewards of sharp price rises

By Christopher Brown-Humes in Stockholm

The buoyant state of the Finnish forestry sector was underlined yesterday when the country's three leading pulp and paper groups announced a combined profit of FM6.5bn ($1.5bn) for the first eight months, comfortably more than double last year's FM2.6bn.

The dramatic improvement reflects a surge in prices over the past two years and increased deliveries for most pulp and paper products, even though sales have been hit by the stronger markka.

Profits at Repola rose from FM1.2bn to FM2.49bn, while Kymmene, which plans to merge with Repola next May, saw its profits climb from FM545m to FM2.05bn.

Enso-Gutzeit lifted its result from FM872m to FM1.99bn.

The figures come at a time when senior industry executives are divided about the outlook for the industry.

Some believe the pulp and paper cycle may be near its peak, with little or no scope for further price rises as inventories are run down and demand weakens. But others suggest the recent slowdown may only be temporary, and foresee increased demand later in the year.

Mr Jukka Härmälä, Enso chief executive, said yesterday: "Economic growth in the main countries to which Enso exports means the outlook for forest products markets is good for the remainder of the year. World market prices for the main pulp and paper products are still showing slight increases."

Investors seem to incline to the more pessimistic scenario. Even though yesterday's figures were slightly better than expected, the Finnish forestry index fell 2.3 per cent, continuing an underperformance which also reflects worries of over-investment in new capacity.

Producers divided on outlook for the sector

The price of softwood pulp, has faltered, Mr Sverker Martin-Löf, chief executive of SCA, Europe's largest pulp and paper group, said yesterday. He blamed the price weakness on inventory de-stocking, and said it was not clear if consumption was weakening. MoDo, the Swedish pulp and paper group, said the October increase in pulp prices from $925 to $1,000 a tonne was holding, but acknowledged that market sentiment was cautious.
Details, Page 19

Repola's shares fell FM2.7 to FM87, Kymmene's shares dropped FM4 to FM121 and Enso eased FM0.7 to FM35.2.

Repola said turnover climbed 15 per cent from FM18.35bn to FM21.18bn as operating profits rose from FM2.11bn to FM3.24bn. Its United Paper Mills forestry unit was lifted by strong results from its printing paper division and increased profits from FM1.37bn to FM2.50bn.

In markka terms, newsprint and magazine paper prices have risen 35 per cent this year, taking them back to levels last seen in 1991.

Kymmene said turnover of FM14.47bn, against FM12.1bn a year ago, would have been FM1bn higher without a 9 per cent strengthening of the markka. Operating profits moved up from FM1.32bn to FM2.68bn. The biggest improvements came in the chemical pulp division, where operating profits rose FM723m to FM1.06bn, and in fine papers where profits rose FM451m to FM689m.

Repola and Kymmene will become Europe's biggest pulp and paper company once the combination of their operations under the name UPM-Kymmene is approved.

Enso-Gutzeit, which is to merge with fellow Finnish forestry concern Veitsiluoto, said sales grew from FM11.28bn to FM14.02bn and operating profits climbed by FM1.05bn to FM2.60bn in the first eight months. All divisions improved profits except the packaging boards division, which was hit by rising costs and the stronger markka.

The companies highlighted the weakness of the market for sawn timber, which has been plagued by overcapacity, as well as lower demand for fine paper, which has been hit by de-stocking and a seasonal summer slack.

However, Enso predicted that fine paper demand would pick up towards the end of the year once buyers had reduced their inventories.

INTERNATIONAL COMPANIES AND FINANCE

Pérez Companc tops expectations with 26.8% rise

By David Pilling in Buenos Aires

Higher earnings from petrochemicals and refining, plus good returns from equity investments, helped Pérez Companc, Argentina's energy-based conglomerate, lift full-year net profits 26.8 per cent to $246m.

The results were "above market expectations", according to Mr Carlos De León of Baring Securities. Earnings per share in the 12 months to August 1995 were 37 cents (74 cents per ADS), against 29 cents (58 cents) in the same period last year. Barings' full-year estimate had been 33 cents.

Mr Eduardo Casabal, vice-president of Pérez, Argentina's largest industrial conglomerate, said results were improved by a leap in sales of petrochemicals and refined products from $212m in 1994 to $483m this year. This was mostly because of sales by PASA, the petrochemical unit brought fully under Pérez control in September 1994.

Mr De León said returns from the conglomerate's equity *investments, largely the result* of privatisation purchases, were also "particularly strong", up 35 per cent to $119m. Pérez has a complicated web of business interests, both consolidated and non-consolidated, in hydrocarbons, refining, utilities, telecommunications, construction, mining and agriculture.

Profits were up sharply at Nortel, through which Pérez holds a 15 per cent stake in Telecom Argentina, and at gas transmission company TGS. Pérez also earned $8m from its 16.6 per cent stake in Buenos Aires electricity utility Edesur, against a loss of $6m last year.

Pérez has taken steps to expand within Mercosur, the regional customs union, with plans to participate in a styrene production plant in Brazil. The plant, in which it will take a 33 per cent stake, will be built in the petrochemical complex Polo Petroquimica do Sul at a cost of $80m. The group has also shown an interest in investing in polystyrene production in Brazil, according to Mr De León.

Investors have speculated that Pérez may spin off parts of its business. However, the *group has consistently denied* such intentions.

USAir shows upturn in third term

By Maggie Urry in New York

USAir, the airline currently in talks with two potential bidders, reported a swing into profits in its third quarter, giving it two consecutive profitable quarters for the first time in six years.

Net income in the quarter was $43.1m compared with a deficit of $180m last time, with earnings per share of 35 cents against losses of $3.32.

Mr Seth Schofield, the chairman and chief executive who had planned to retire but agreed to stay on while the takeover discussions continue, said "The company is now experiencing a dramatic upturn in its financial performance." The company had no comment on the progress of the talks, announced early this month.

AMR, the parent of American Airlines, which with United Airlines are the two groups in talks with USAir, reported a rise in third quarter net income from $188m to $229m, with earnings per share increasing from $2.27 to $2.64 fully diluted.

USAir, in which British Airways has a 24.6 per cent stake, surprised the market in September by forecasting a profit for the year. For the nine months net income was $59m compared with a loss of $363m.

The swing into profits in the third quarter was due to a 7 per cent rise in operating revenues to $1.87bn and a 7 per cent fall in operating expenses to $1.78bn. USAir attributed this to its programme of cutting capacity which began to take effect in early summer.

The company reduced the number of flights and switched to smaller aircraft on routes where passenger numbers did not justify use of a jet.

That reduced the number of available seat miles flown by its USAir Inc subsidiary by 9 per cent, bringing savings from maintenance, fuel, labour and other costs. However, the number of passenger miles flown fell by just 6 per cent, increasing the load factor from 64.2 per cent to 66.5 per cent. The lower costs cut the break-even load factor from 70.5 to 66.2 per cent.

Although personnel costs fell 1.5 per cent in the quarter, the group has been in lengthy negotiations with unions to make much larger reductions, so far without reaching agreement.

Endesa takes 60% stake in Edegel

By Sally Bowen in Lima

Endesa, Chile's largest electricity generating company, has consolidated its position in the Peruvian power supply sector with the purchase of 60 per cent of Edegel, Lima's 700MW electricity generating company.

Peru's second most important privatisation attracted attention from four consortia: Generandes, headed by Entergy Power Development of the US and Endesa of Chile with two small Peruvian partners; Inversora Electrica *Andina, comprising Spain's* Iberdrola, Tractebel of Belgium, France's EDF and Houston Industries of the US; Comangen, made up of CMS Energy and Coastal Power of the US, plus Britain's PowerGen; and Peruvian Light and Power (Chilgener of Chile and Dominion Resources of the US).

Generandes bid $424m plus a fixed $100m in secondary debt paper (worth about $71m at currently traded values) for a 60 per cent stake, $36m more than Inversora's bid.

Edegel comprises five hydro plants and one 150MW thermal generator. In the first eight months of 1995, it posted prof*its of $23m while assets are val*ued at $320m.

Base price for the variable cash element of the sale was set at $273m, a substantial reduction on the minimum originally fixed more than a year ago. Potential investors *had complained it was too high* and the sell-off was subject to prolonged delay.

The successful privatisation highlights Chilean interest in its northern neighbour and the attraction of the energy sector. Chilean-dominated consortia, one led by Endesa, last year acquired both of Lima's electricity distribution companies, Edelnor and Luz del Sur, as *part of the Peruvian privatisa*tion programme.

The Edegel sale bodes well for future energy generation sell-offs. All the hydro electric plants in Electroperu's huge central-northern system will be coming up for *privatisation in the near* future.

Next on the block, within the next six months, will be Ventanilla, the 200MW thermal facility commissioned in 1992 as an emergency back-up for Lima but now working round the clock.

The new owner-operator of Ventanilla, as of Edegel, will *be required to invest immedi*ately in a 100MW expansion of generating capacity.

The Archer Daniels board prepares to face the music

Executives at Archer Daniels Midland, the global grain processing and trading concern, face a grilling today. Shareholders are gathering in the company's home town Decatur, Illinois, for the group's annual meeting. Many are in angry mood.

Their ire is directed only partly at ADM's poor earnings and stock market performance. Of even more concern is the company's patriarchal management style and its laggardly response to FBI and Justice Department investigations into alleged price fixing.

At least 13 big institutional shareholders have pledged to vote their 33m shares against ADM's recommended board of directors. The dissenting shareholders include the large and activist California Public Employee Retirement Fund (Calpers), the California State Teachers Retirement System and employee retirement funds for both the State and the City of New York.

Their 33m shares represent only about 6 per cent of ADM's outstanding stock, and will not be enough to defeat the proposed board. However, Ms Anne Hansen, deputy director of the Council of Institutional Investors, claims: "This vote against the board should serve as a wake-up call to management."

The extent of dissatisfaction can be gauged from the 21 shareholder lawsuits that have been filed against ADM directors and officers since the government probes became public.

Widely-publicised shareholder unhappiness is always an embarrassment to a board, and usually initiates some reform, *Ms Hansen* noted. "Usually, it doesn't get this far, and a company responds before the shareholders vote against it," she said. "However, ADM is a very unusual company."

ADM is unusual in several ways. Its peculiarity includes an apparently cosy board structure that seems to insulate Mr Dwayne Andreas, chairman, from criticism; the group's dependence on government farm subsidy programmes for profits; and a secrecy which forces analysts and shareholders to cull through government filings to discover routine items such as quarterly revenue figures.

Mr Andreas counters accusations of excessive secrecy by arguing that ADM's biggest competitors are privately held conglomerates which do not have to report plans or results. Secrecy, he says, is central to the ADM's competitiveness.

Mr Roland Machold, director of New Jersey's Division of Investment, which plans to vote its 6m shares against the proposed board, says: "This company is in the midst of two major inquiries, and hasn't been able to muster an independent group to investigate the situation."

The inquiries are examining price-fixing allegations in three of ADM's most important markets: high fructose corn syrup, citric acid and lysine. The other investigation is looking at the possibility that ADM helped employees avoid taxes *with an off-the-books compen*sation scheme.

The inquiries became public in July when a former ADM executive revealed he had worked as an undercover FBI mole for nearly three years, eavesdropping on important meetings between ADM executives and competitors on three continents. When ADM fired the executive, Mr Mark Whitacre, it said he had embezzled $9m from the company. He admits receiving the money, but says the payments were authorised by the company as tax-free compensation.

ADM's shareholders also have other, more traditional reasons to pose the board difficult questions.

The company, which this week said it earned $163m, or *31 cents share, in the third* quarter, has seen its earnings per share and return on assets fall every year since 1990. During the period, ADM's return to shareholders has been 7.2 per cent, against an 11.6 per cent average for the food sector and the 12.5 per cent return on the S&P 500.

Unless the shareholders are able to make the board change its spots, Mr Andreas is likely to weather this latest crisis. The only other potential agent for change is the Justice Department. But so far there have been no charges.

Laurie Morse

AMERICAS NEWS DIGEST

Acquisitions boost Laidlaw earnings

A spate of acquisitions helped Laidlaw, the Ontario-based transport and waste services operator, raise earnings 46 per cent for the year ended August 31. Laidlaw also announced a further expansion of its fast-growing US ambulance business with the acquisition of AmeriStat Mobile Medical Services, a Houston-based company. The purchase will make Laidlaw the biggest ambulance operator in Texas.

Earnings climbed to US$132.8m, or 48 cents a share, in the year from $90.8m, or 33 cents, a year earlier. The 1994 figure included a one-time charge of $16.7m, or six cents a share. Revenues rose by 18 per cent to $2.52bn. Mr Jim Bullock, chief executive, forecast another year of "substantial revenue growth", after recent acquisitions. "We are confident we can deliver an equally impressive growth in operating income," he added.

Fourth-quarter earnings, before unusual items, advanced by 26 per cent to $17.1m, or six cents a share. Losses from school-bus operations, stemming from normal summer holidays, were offset by a 48 per cent jump in operating income from hazardous waste management and a 23 per cent improvement in solid waste operations.

Bernard Simon, Toronto

Rio Algom in $500m shelf issue

Rio Algom, the Canadian-based international mining group, has filed a shelf prospectus with the SEC in Washington covering the issue of US$500m in unsecured debt securities. The filing means financing is now in place to cover the needs of Rio's Cerro Colorado copper mine in Chile, the 50 per cent-owned Alumbrera gold-copper project in Argentina and the 50 per cent-owned Crandon zinc mine in Wisconsin, due in production in 1997. Rio, formerly controlled by RTZ, produces copper, uranium and other minerals and also runs one of north America's biggest metals wholesaling businesses. It hopes to sell its Australian metals distributor by the end of the month.

Robert Gibbens, Montreal

RPR to control biotech company

Rhône-Poulenc Rorer, the US drugs company controlled by Rhône-Poulenc, the French chemicals company, is to take full control of Applied Immune Sciences, a US biotechnology company, for $84.4m cash. RPR has owned 46 per cent of AIS since 1993. The takeover comes in the form of a cash tender offer of AIS's outstanding stock at $11.75 a share.

After the takeover, the AIS headquarters in Santa Clara, California, will become the headquarters of RPR Gencell, a division of RPR devoted to co-ordinated work of several biotechnology companies which have signed co-operation agreements with RPR. AIS specialises in cell therapy, a technique which involves giving patients infusions of living cells, with applications in several disease areas including cancer.

Daniel Green

Czar to support Ranger Oil bid

Ranger Oil, the Canadian-based international oil and gas producer, has raised its bid for Czar Resources, a western Canada developer, from C$1.30 a share to C$1.55 or a total of C$108m (US$80.6m). Czar's management will now waive its poison pill defence and recommend the bid.

Ranger said it had revised its valuation partly because Czar had sold a pipeline interest and also because of a counter-bid by Gulf Canada Resources. The bid expires on November 2 and requires two-thirds acceptance.

Robert Gibbens, Montreal

Scott Paper earnings rise 176%

Scott Paper, the US tissue producer which in July agreed to a $7.3bn takeover by rival tissue maker Kimberly-Clark, raised third-quarter earnings by 156 per cent to $155.4m. Earnings per share were up 176 per cent at $1.02. Sales were up 25 per cent at $1.1bn, while the operating margin rose from 13.8 per cent to 20.4 per cent.

The sales increase chiefly reflected higher prices. Sales were up 24 per cent in the US and 27 per cent in Europe, while US operating profits rose about 50 per cent and European profits almost tripled.

Tony Jackson

Johnson & Johnson ahead

Johnson & Johnson, the world's largest maker of healthcare products, yesterday reported net income up 18.7 per cent in the third quarter, led in part by growth in international sales of consumer products. Earnings for the period rose to $623m on sales of $4.7bn compared with profits of $525m on sales of $4bn for the same period last year. Earnings per share rose 17 per cent to 96 cents.

Sales of consumer products in the US were nearly flat in the quarter because of weak sales of Tylenol, but international sales to consumers jumped 12.7 per cent, lifting worldwide sales 6.3 per cent to $1.5bn.

Lisa Bransten, New York

McDonnell Douglas up 19%

Strong sales of military aircraft led McDonnell Douglas, the US aerospace company, to report yesterday that net earnings increased 19 per cent in the third quarter.

Profits for the quarter rose to $192m, or $1.70 per share, compared with $161m, or $1.36, for the same period last year. Shares in the company slipped $¾ to $79¼ in early trading although earnings were 26 cents a share better than the mean forecast. A 30 per cent increase in military aircraft sales to $237m helped offset a loss of $7m in the commercial aircraft division.

Lisa Bransten

AT&T plans sale of equipment making arm

By Tony Jackson in New York

AT&T, the US telephone giant, is to put its Paradyne equipment making subsidiary up for sale. The business, which had revenues last year of $300m, was bought by AT&T for $250m in early 1989.

Paradyne makes equipment for network access, used to connect to the Internet, local area networks and video on demand.

The sale comes in the wake of AT&T's decision last month to split its equipment manufacturing business from its telephone services. At the time, the company said the equipment business found it increasingly hard to sell to companies competing with AT&T in telephone services.

AT&T said yesterday the decision to sell Paradyne separately was based on the same reasoning. "Just as the equipment business has a conflict with services, there are conflicts between the equipment business and Paradyne's customers," the company said. "Paradyne supplies around half what it produces to AT&T's equipment business, so competitors [to the equipment business] such as Northern Telecom, Alcatel and NEC have an incentive not to buy from Paradyne."

The company said it aimed to set up a relationship with Paradyne whereby AT&T would buy Paradyne's products in preference to equivalent products from rivals. The details would be a matter for negotiation with the new owner.

AT&T declined to speculate on what the business might be worth. When it was bought in 1989, Paradyne was heavily lossmaking, having been undermined by a scandal over the supply of equipment to the Federal government.

AT&T said the business had been profitable every year since 1990, before restructuring costs.

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SGS-Thomson issue priced at $43.50 a share

By John Ridding in Paris

SGS-Thomson, the Franco-Italian semiconductor manufacturer, yesterday announced a price of $43.50 a share for a capital raising issue aimed at funding expansion.

The issue price, which was FFr216.43 for the French tranche of the 18m share issue, was largely in line with market expectations. It represented a slight discount from Tuesday's closing price of FFr221 in Paris, but a sharp increase over the price of FFr119.95 and $22.25 at which the company's shares were floated last December on the Paris and New York stock markets. The sharp rise reflects the company's performance over the past few years.

Net profits more than doubled to $363m last year, and rose from $253m to $358m in the first nine months of 1995. The increase reflects strong international demand for semiconductors, and restructuring efforts at the group.

Further expansion plans, including the recent announcement that the company would build a FFr4bn ($80.5m) semiconductor plant near Marseilles, have prompted the capital increases. The current issue is expected to raise about $800m, compared with about $480m in the December operation.

According to SGS-Thomson, the share issue will leave just over 71 per cent of the company's shares in the hands of its majority owners, a consortium of French and Italian public sector groups. These include France Télécom, Thomson CSF, the defence electronics group, and IRI of Italy.

The issue represents about 13.2 per cent of the company's share capital, and 15 per cent should the over-allotment option be exercised in full. Thorn EMI of the UK is to sell its 2.7 per cent stake in SGS-Thomson as part of the issue.

Industry analysts said the issue would slightly dilute earnings per share next year. Mr Rémy Thomas, analyst at Cholet Dupont in Paris, estimated the dilution would be about 6 per cent. Another analyst said continued profits growth, which he forecast would climb from about $486m this year to $590m in 1996, would offset the dilution.

Most observers forecast continued expansion in the medium-term for the group, although some warned of a slowdown in industry demand from the end of 1996. Several market research companies predict growth of about 20 per cent in semiconductor sales next year.

Shares in SGS-Thomson rose FFr3.50 yesterday to close at FFr224.50. The issue is expected to close on October 23.

SCA sees pulp price surge over

By Christopher Brown-Humes

A two-year surge in pulp prices had faltered and the latest attempt to lift prices to $1,000 a tonne had failed, Mr Sverker Martin-Löf, chief executive of SCA, Europe's largest pulp and paper group, said yesterday.

"You can buy pulp on the spot market for less than $925 a tonne. There has been a change in the supply and demand balance," he said.

His views add to the growing belief that the pulp and paper cycle is nearing its peak. Mr Martin-Löf blamed price weakness on inventory destocking, adding it was not clear if underlying consumption was weakening. He also noted an erosion in waste paper prices.

But Mr Martin-Löf's views were disputed by MoDo, another Swedish pulp and paper group, which said October's increase in pulp prices from $925 to $1,000 a tonne was holding. However, MoDo acknowledged the market was cautious and said it was cutting production to support prices. SCA is a net buyer of pulp, MoDo a net seller.

Ms Michelle Evans, pulp and paper analyst with James Capel in London, said some pulp producers were receiving $1,000 a tonne, but had promised buyers rebates if the price rise was not accepted. She said prices were under pressure because of weak demand from fine paper producers. However, she added, if fine paper demand rose, there was no reason for pulp prices to fall.

Thomson-CSF back in black at halfway

By Andrew Jack in Paris

Thomson-CSF, the defence and electronics group, yesterday reported a return to profits of FFr364m ($73.2m) for the first half of the year, in the face of growing difficulties for the defence industry.

The result, which compares with a loss of FFr176m last time, came in spite of a reduction of 3 per cent in turnover from FFr16.07bn to FFr15.52bn, and a decline in operating profits from FFr905m to FFr784m.

The group said the decline in margins – from 5.4 per cent to 5.1 per cent – reflected growing troubles for the defence sector, including a general contraction in national military budgets and the value of the dollar which squeezed suppliers from outside the US.

It reported a gain of FFr202m from its industrial investments, reflecting a sharp increase in profits in SGS-Thomson, in which it holds a 20.2 per cent stake, down from 23.56 per cent at the half-year point last year. In the first half last year, the losses at Crédit Lyonnais, in which it holds an 18.9 per cent stake, triggered a charge in Thomson-CSF's accounts of FFr938m. It was also required to take part in an initial financial rescue package.

But there was no such impact this time because the shares are now treated in the accounts as non-consolidated participations.

Any contribution during the first half, however, would have been positive, since Crédit Lyonnais reported a return to profits of FFr36m after contributions to the French government as part of restructuring.

The group reported a fall in depreciation charges from FFr184m to FFr167m, offset by an increase in exceptional provisions from FFr163m to FFr293m. Thomson-CSF predicted that operating profits for the full year would be in line with those reported for the first half at slightly more than 5 per cent of turnover.

SBC upbeat on SG Warburg integration

By Ian Rodger in Basle

Swiss Bank Corporation has "nearly completed" the integration of the UK investment bank S. G. Warburg, acquired last June for £860m ($1.35bn), Mr Georges Blum, SBC chief executive, said yesterday.

Mr Blum said in an interview that reports of damage to the new SBC Warburg by staff defections were exaggerated.

"After 100 days, the most difficult part of the integration is done. Raiding by other firms did not succeed," Mr Blum said.

He claimed the group's pipeline of assignments was full and the new corporate identity had been accepted quickly. "We are emerging as a very powerful house," he said.

Sir David Scholey, the former Warburg chief executive, has moved from the chairmanship of the investment banking board to become chairman of SBC's council of international advisers, and also remains chairman of SBC Warburg

Mr Blum conceded that SBC Warburg's equities division was hurt by a raid by Morgan Grenfell of London staff. However, he said similar attempts to poach the group's staff in south-east Asia, Australia and Japan had failed.

Moreover, the combined group had increased its share in the UK equities market from 9 per cent before the merger to 11 per cent.

Mr Blum said the integration proceeded quickly, with equities, currency and fixed interest trading and the back offices already combined. Approximately 1,200 of the two groups' 11,300 employees had gone.

On the corporate finance side, it had proved difficult to satisfy both the "older generation and the young", but a solution had now been found and "everyone is on board".

Georges Blum: 'raiding by other firms didn't succeed'

Mr Blum said he could count on two hands the number of people who had defected from the 400-strong corporate finance side.

He added that he hoped the experience and professionalism of Warburg would temper the aggressiveness that had characterised SBC's London investment banking in the past year.

However, he did not apologise for that aggressiveness, saying it was as necessary a stance for SBC breaking into the London market as it had been for Warburg entering the Swiss market with junk bond offerings a decade ago.

He said the SBC group was performing strongly. The trend of the first half, when SBC net income rose 23.3 per cent to SFr540m ($470m) had continued in the second. The only uncertainty was how much provisioning for bad loans, mainly in Switzerland, would be needed.

Mr Blum said one result of the Warburg takeover was that "the heart" of SBC's investment banking business had moved definitively from Zurich to London. It had also become significantly less Swiss. Of the 10,100 staff at SBC Warburg, only 1,300 were Swiss nationals, and most of them were based in Zurich.

Poland invites bids for telecoms licences

By Christopher Bobinski in Warsaw

Poland yesterday formally announced an open tender for two GSM mobile telephone operating licences.

AT&T of the US, US West, Deutsche Telekom Mobile and Stet of Italy are planning to put in bids for a project which will be Poland's largest single foreign investment to date.

However, foreign participation in consortia is limited to 49 per cent.

The announcement was made amid a growing dispute over the government's failure to keep promises made four years ago that one of the licences would be reserved for Ameritech of the US and France Telekom working with Telekomunikacja Polska (TPSA), the country's state-owned telephone operator.

Mr Andrzej Zielinski, telecommunications minister, yesterday denied that Poland was obliged to honour a letter of intent signed in 1991 by one of his predecessors.

This assured the two foreign partners, who had won a licence to operate an NMT (analogue) mobile telephone network with TPSA in a joint venture, that they would be handed a GSM licence as soon as the frequencies became available.

Officials yesterday said a $75m payment made to the government by Ameritech and France Telecom to underpin the promise was in fact a payment for the NMT licence and therefore would not be returned if a GSM licence was not forthcoming.

The statements came after a warning by the French government to Mr Zielinski that France Telecom would start legal proceedings if the letter were not honoured. Ameritech has already initiated arbitration procedures.

The dispute promises to overshadow the tender process which opens on November 3 with the closing date for bids on January 3. The government expects to complete the tender in 45 days and hopes the network will be working in the second half of next year.

Neste registers 52% increase as sell-off begins

By Christopher Brown-Humes in Stockholm

The privatisation of Neste, Finland's biggest industrial group by sales, began yesterday after the oil, energy and chemicals company announced a 52 per cent rise in profits for the first eight months.

It added that it was considering selling its 50 per cent stake in Borealis, its petrochemicals and polyolefins joint venture with Statoil, as part of a disposal of non-core assets.

Neste and the Finnish state plan to raise between FM780m and FM1.15bn ($182m-$268m) by selling between 10m and 14.85m new and existing Neste shares.

This is much less than the FM2bn the group had hoped to raise from selling about 20 per cent of its shares when its privatisation plans first took shape a year ago.

The Ministry of Trade and Industry has since decided to focus the sale on Finnish institutions and retail investors to broaden domestic share ownership. The offer is not being marketed to international investors, partly to avoid a clash with big share issues from other international chemical concerns, such as Italy's Eni.

The partial privatisation will cut the state's stake from 96.85 per cent to 82.06 per cent if the maximum number of shares are sold. It is the first state sell-off to be launched since the Social Democrat-led government came into power in April and the first to be marketed as a "people's share" in the country's privatisation programme.

The shares, to be priced at FM78 each with a discount for company employees, will be listed on the Helsinki stock exchange.

Neste said proceeds from the share issue would be used to strengthen its balance sheet and bolster its position as the leading oil group in the Baltic region. It said it might sell operations outside its core oil, energy and chemical businesses if it could achieve an acceptable price. But a possible sale of its Borealis stake would not take place for at least six months.

Neste said profits in the first eight months rose from FM752m to FM1.14bn, helped by a strong performance from its chemicals operations. Operating profits climbed from FM1.44bn to FM1.7bn, in spite of a fall in sales from FM32.8bn to FM29.9bn.

It said full-year profits would at least equal last year's FM1.2bn, with improving refining margins offsetting weaker chemicals prices in the final four months.

Italian insurer posts sharp rise at midterm

Ina, the former state-owned Italian insurer, increased group pre-tax profit by 56 per cent to L391bn ($244m) in the first half of 1995 from L251bn a year earlier, writes Andrew Hill in Milan.

Ina, which last month reported parent company results for the first half of the year, said net premium income at the group increased by just over 8 per cent to L3,282bn in the first half from L3,034bn. Net premiums from life insurance rose from L1,218bn to L1,273bn, and in non-life from L1,816bn to L2,009bn. Net income from investments increased 10.5 per cent from L1,250bn to L1,381bn.

The group said it expected group profit for the full year to be better than in 1994. At the end of last month, the Italian treasury, which still owns just under 35 per cent of Ina, placed an 18 per cent stake with friendly shareholders, including a group of Italian banks. The rest of the treasury's stake should be sold before mid-January through an issue of bonds convertible into Ina shares.

INTERNATIONAL COMPANIES AND FINANCE

KPN is fighting a flood of telecoms paper

Advertisements for the second tranche of shares are subdued, finds **Ronald van de Krol**

Advertisements touting this month's sale of a second tranche of shares in Koninklijke PTT Nederland (KPN), the Dutch telecommunications and postal company, are noticeably more subdued than during the flotation of the first tranche in June 1994.

Sixteen months ago, the slogan was "a share you can't afford to miss".

One television spot showed an orchestra conductor abandoning a concert and his musicians in order to rush out to submit his application form.

This time round, with allotment of shares due to take place on Monday, the tone is more restrained. Newspaper advertisements feature the pen drawings of Mr Peter van Straaten, a well-known Dutch cartoonist, under headlines such as "the share which has already built up a trusted reputation".

The difference in style is intended to underline KPN's status as a bourse-listed company with a good record and profits which have often exceeded expectations.

But, unintentionally, the change in advertising style also reflects the more considered atmosphere surrounding European telecommunications privatisations.

There is little novelty in a European country deciding to sell off part of its telecommunications infrastructure.

Indeed, KPN2 – as the second tranche is known – had to be carefully slotted into mid-October to avoid coinciding with the Telefónica sale in Spain earlier in the month.

The timing of KPN2, due to raise Fl 5.5bn ($9.7bn) and to reduce the state's holding to a minority stake, was also calculated to attract investors well ahead of the large, initial offering for Deutsche Telekom, the German state-owned telecoms group, scheduled for 1996.

Unintentionally, the change in advertising style reflects the more considered atmosphere surrounding European telecommunications privatisations

The Dutch government is selling a minimum of 100m shares, with the exact price, expected to be announced on Sunday, to be pegged closely to the current market price of around Fl 55.

Analysts predict a slight discount of between Fl 0.50 and Fl 1.00 to Friday's closing price for institutional investors. Retail investors have already been told they will receive a discount of Fl 2.50 per share on up to 100 shares.

At this level, the KPN shares will be priced at an earnings multiple of 11, below the Amsterdam bourse's average of 13 and lower than the multiples of more than 20 that prevail for telecom companies in southern Europe.

ABN Amro Bank, global co-ordinator, said demand was developing well so far during the book-building period, which is due to end tomorrow.

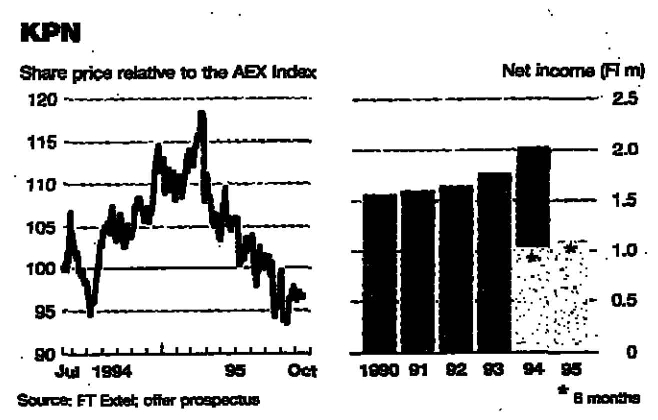
Mr Menno de Jager, the bank's head of equity syndicates, confirmed market expectations that domestic institutional demand was running ahead of foreign demand. "The background to this is that the Dutch road shows began four to five days earlier than the rest. Foreigners will tend to come into the book at the end of the period," he said.

Overall, domestic demand is heavier than during the 1994 initial public offering, he added.

Analysts agree KPN is cheap and its profit record is sound. The company has a highly automated postal arm, PTT Post, which, like its main telecommunications business, is outwardly focused and adept at winning foreign customers.

As a group, KPN has regularly produced 10 per cent increases in annual profits. In 1994, net results rose by 14.5 per cent to Fl 2.04bn on turnover up 6.1 per cent at Fl 18.59bn.

KPN



Source: FT Extel; offer prospectus

But there is concern about the European telecoms industry generally, because of the flood of issues and the upcoming deregulation of markets.

The Netherlands itself is a prime target for international competitors. This is because of the country's heavy population density on flat terrain and because it is home to many multinationals with big international telephone bills.

Mr Douglas Wight, analyst at Salomon Brothers in London, not part of the underwriting syndicate, said he found it difficult to be bearish about KPN, citing in part the quality of the management team led by Mr Wim Dik, chairman.

He predicted that the sale would be completed successfully, but added that he had a "hold" recommendation on the stock.

"I don't expect much price performance for any telecom company in the medium term because of the amount of paper coming to the market," he said.

"Certainly for the low-risk, yield-driven investor, this is clearly a blue-chip stock," he added.

A lone dissenting voice is Mr Laurence Heyworth, analyst at Robert Fleming in London.

He acknowledges KPN's strengths in many areas, but believes the market has failed to take into account the possibility of a marked slowdown in earnings growth later in the 1990s when the Netherlands, like other European countries, will be confronting drastic deregulation.

"These changes will be more fundamental than seen in the US, Japan or anywhere else," he said.

He believes the entire European telecommunications sector is expensive at current levels and will not be helped by the upcoming issues.

"The fact that KPN is arguably the best of a bad lot does not make it worth buying," he said.

Success of Windows 95 behind Microsoft advance

By Louise Kehoe in San Francisco

Microsoft led a strong rally in US high technology stocks yesterday after the software company announced that 7m copies of its Windows 95 personal computer operating system had been sold in the past few weeks and that earnings for its first fiscal quarter had exceeded expectations.

Microsoft's shares jumped to $98⅝ in early trading, an 8 per cent gain over Tuesday's closing price of $91¼. The stock gave up some of the gains to trade at $96⅞ in mid session.

Sales of Windows 95, which was launched on August 24 with a multi-million dollar publicity campaign, were ahead of most market analysts' projections and Microsoft said it was "thrilled" by customer response to its new product.

The company said the program, which brings ease of use and efficiency features to standard PCs, had also spawned growth in sales of applications software, as users bought new software designed to take full advantage of Windows 95.

Some 25 per cent of all PC application programs sold in September were specifically designed to work with Windows 95, Microsoft said.

Windows 95 lifted Microsoft's net income for the first quarter ended September 30 to $499m, a 53 per cent increase over the first quarter of fiscal 1994. Earnings per share jumped from 51 cents to 78 cents, well above Wall Street estimates of about 70 cents a share. Revenues for the quarter rose 62 per cent from $1.2bn to $2.02bn.

"We estimate 7m customers worldwide have either bought the retail version of Windows 95 or purchased a new computer with the program pre-installed," said Mr Brad Silverberg, Microsoft's senior vice-president.

The simultaneous launch of Windows 95 and Office 95, a suite of business application programs, was one of the most successful launches ever of any consumer product, said Mr Bob Herbold, group chief operating officer.

Operating systems revenues, primarily from Windows 95, made up 52 per cent of the first-quarter total, up from 34 per cent in the first quarter last year.

Microsoft recognised revenues of $260m from Windows 95 retails sales and deferred revenues of an additional $130m. Sales of Windows 95 to personal computer manufacturers were $548m.

Sales in North America were 37 per cent of the total, up from 34 per cent. Europe dropped from 23 per cent to 21 per cent of revenues. Sales and marketing expenses were up sharply, at $621m against $395m in the first quarter of fiscal 1995.

Microsoft said it would introduce a Japanese language version of Windows 95 in the next few weeks.

Barrick Gold ahead 10.4%

By Bernard Simon in Toronto

Sharply higher production and a slightly improved gold price lifted Barrick Gold's third-quarter earnings by 10.4 per cent.

But the improvement was dampened by increased costs at several mines, raising average operating costs to $198 an ounce from $168 a year earlier.

Toronto-based Barrick, which is the biggest gold producer outside South Africa, boosted net earnings to $67.7m in the three months to September 30, from $61.3m a year earlier.

Earnings per share slipped from 20 cents to 19 cents, due to a large share issue to pay for last year's acquisition of Lac Minerals.

Revenues climbed from $216.1m to $295.2m, with output from 10 mines in North and South America rising from 536,400 ounces to 733,600 ounces. Production totalled 2.22m ounces in the first nine months, and is expected to reach 3m ounces for the year as a whole.

As a result of hedging, Barrick received an average price of $408 per ounce, well above prevailing market prices and up from $403 last year.

The rise in costs was led by the Bousquet complex in Quebec, up from $222 to $280 an ounce, and the El Indio mine in Chile, up from $147 to $210 an ounce.

El Indio's gold costs were affected by unusually low copper output. The mine credits its copper earnings against gold operations. In addition, Barrick has invested heavily at El Indio since acquiring the mine as part of the Lac deal.

The rise in costs at the Quebec mines was due to lower third-quarter output.

Nine-month operating costs for the group as a whole averaged $183 an ounce. Significantly higher output in coming months from the low-cost flagship Betze-Post mine in Nevada should bring average costs "closer" to the 1995 target of $175 an ounce.

Barrick, whose growth has been fuelled up to now largely by acquisitions, has recently focused on expanding its exploration activities. Exploration spending in 20 countries reached $30.9m in the first nine months of 1995, almost three times higher than last year.

Healthcare unit probe hits WR Grace shares

By Tony Jackson in New York

Shares in W. R. Grace, the US chemicals manufacturer, fell by 12 per cent yesterday on news that its healthcare subsidiary, National Medical Care, is being investigated by the US Department of Health for possible breaches of the law on healthcare payments.

National Medical, America's biggest supplier of kidney dialysis equipment, is in the process of being spun-off tax-free to W. R. Grace shareholders in a transaction expected to value it at around $3bn.

W. R. Grace said it had received investigative subpoenas calling for documents relating to various aspects of its business. It said it would not be able to give a detailed response until today at the earliest, since it would have to infer the nature of the charges from the documents requested.

However, the company said "NMC's management believes that it is in material compliance with the laws and regulations under which it operates." The Department of Health refused to comment.

A large part of National Medical's business is transacted through Medicare and Medicaid, the two government health insurance schemes. Billing for such services is governed by various regulations.

The company said "it comes down to accurately representing what you've provided, and only requiring payment once. There are also Federal statutes against providing financial inducements for over-utilisation. Some place in the welter of that, they're asking for the production of documents."

The investigation prolongs an atmosphere of crisis at W. R. Grace, which has been buffeted by scandal this year. In March, the chief executive officer, Mr J. P. Bolduc, resigned amid accusations of sexual harassment. The chairman, 81-year-old Mr Peter Grace, was then forced out, following evidence of unauthorised payments by the company to him and his son. Mr Grace died shortly after.

Mr Constantine Hampers, founder and head of National Medical, then presented himself as a candidate for the post of chairman and chief executive. When the job went instead to Mr Albert Costello, former head of American Cyanamid, Mr Hampers bid $3.5bn for National Medical in a management buy-out. In June, the board decided instead to spin it off tax-free to W. R. Grace shareholders, with Mr Hampers at its head.

W. R. Grace shares were down $7⅞ at $57⅛ at lunchtime.

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All these securities have been sold. This announcement constitutes neither an offer to sell nor a solicitation of an offer to buy these securities. The offering was made only by the Prospectus, copies of which may be obtained in any State from such of the undersigned and others as may lawfully offer these securities in such State.

October 17, 1995

42,500,000 Shares

UPR Union Pacific Resources Group Inc.

Common Stock

Price $21 per Share

35,100,000 Shares

These Shares were offered by the undersigned in the United States and Canada.

Smith Barney Inc.

CS First Boston

Goldman, Sachs & Co.

Petrie Parkman & Co.

Bear, Stearns & Co. Inc. — Alex. Brown & Sons Incorporated — Dean Witter Reynolds Inc. — Deutsche Morgan Grenfell — Dillon, Read & Co. Inc.

A.G. Edwards & Sons, Inc. — Hambrecht & Quist LLC — Lazard Frères & Co. LLC — Lehman Brothers — Merrill Lynch & Co.

Montgomery Securities — J.P. Morgan Securities Inc. — Morgan Stanley & Co. Incorporated — NatWest Securities Limited — Oppenheimer & Co., Inc.

PaineWebber Incorporated — Prudential Securities Incorporated — Robertson, Stephens & Company — Schroder Wertheim & Co.

UBS Securities Inc. — Howard, Weil, Labouisse, Friedrichs Incorporated — The Chicago Corporation — Cowen & Company — Dain Bosworth Incorporated

EVEREN Securities, Inc. — Fahnestock & Co. Inc. — Furman Selz Incorporated — Janney Montgomery Scott Inc. — Jefferies & Company, Inc.

Legg Mason Wood Walker Incorporated — McDonald & Company Securities, Inc. — Morgan Keegan & Company, Inc. — Piper Jaffray Inc.

Principal Financial Securities, Inc. — Ragen MacKenzie Incorporated — Rauscher Pierce Refsnes, Inc. — Raymond James & Associates, Inc.

The Robinson-Humphrey Company, Inc. — Rodman & Renshaw, Inc. — Simmons & Company International — Stephens Inc. — Sutro & Co. Incorporated

Tucker Anthony Incorporated — Wheat First Butcher Singer — Advest, Inc. — Crowell, Weedon & Co. — Gerard Klauer Mattison & Co., LLC

Gruntal & Co., Incorporated — Johnson Rice & Company L.L.C. — Kirkpatrick, Pettis, Smith, Polian Inc.

WR Lazard, Laidlaw & Luther — Nesbitt Burns Securities Inc. — Parker/Hunter Incorporated — Pennsylvania Merchant Group Ltd

Pryor, McClendon, Counts & Co., Inc. — Richardson Greenshields Securities Inc. — Sanders Morris Mundy Inc. — Muriel Siebert & Co., Inc.

Wm Smith Securities, Inc. — Southwest Securities, Inc. — Sturdivant & Co., Inc. — Toronto Dominion Securities Inc.

7,400,000 Shares

These Shares were offered by the undersigned in a concurrent international offering outside the United States and Canada.

Smith Barney Inc.

CS First Boston

Goldman Sachs International

Petrie Parkman & Co.

ABN AMRO Hoare Govett — BNP Capital Markets — Bayerische Landesbank Girozentrale — Caisse des Dépôts et Consignations

Commerzbank AG — Dresdner Bank-Kleinwort Benson — Nomura International — Nationsbank/Panmure Gordon — SBC Warburg

Murdoch to gain as Foxtel merges with Australis

By Nikki Tait
in Sydney

Australis, the Australian pay-TV operator and holder of one of two commercially-available satellite broadcasting licences, is to merge with Foxtel, the cable-based pay-TV consortium.

Foxtel's two partners are Mr Rupert Murdoch's News Corporation and Telstra, the government-owned telecommunications group.

If the deal gets regulatory approval, it will reduce the number of pay-TV operators in Australia from three to two, and give Mr Murdoch a strong position, with interests in two delivery methods.

Yesterday, however, the Trade Practices Commission, the country's competition watchdog, said that it would review the deal "to see if there are any competition concerns". This is likely to take several weeks.

Under the deal, Australis, a listed company, will acquire 100 per cent of Foxtel. In return, it will issue about 642m shares and convertible notes, which will give News and Telstra equal economic interests in Australis of 28.75 per cent. At present, these two companies between them own 4.5 per cent of Australis.

TCI, the US cable operator, will hold a further 17 per cent of Australis, and the remaining shares will be split between the company's institutional and private shareholders.

There will be a 10-member board, to which News and Telstra will be entitled to appoint three directors each. Mr Rodney Price will remain chairman of Australis.

Yesterday, Mr Price claimed that the deal gave Australis the ability to supply consumers with subscription TV services on a "national basis ... with maximum efficiency", via the different delivery methods. He noted that Foxtel and Australis' Galaxy service had already agreed to deliver identical core programming.

However, if the deal is approved, it will put heavy pressure on Optus Vision, the second cable-based consortium, which will have to compete against the combined programming and delivery abilities of Australis and Foxtel. The federal government has indicated that it will not intervene in the deal – which has been rumoured for some days – if the TPC approves it, but the opposition has claimed that this makes a mockery of promised competition in the pay-TV market.

Yesterday, Optus Vision said it would be making "a strong case" to the TPC that the deal "is not appropriate".

Australis, formed in the early 1990s, was the first company to offer subscription services, beginning operations at the start of 1995.

A few weeks ago, Optus Vision also began to seek subscribers, stealing a march on Foxtel, which has since announced pricing details but has yet to launch its services.

Australis shares were suspended last week at 93 cents, as speculation over a Foxtel tie-up grew, but are due to resume trading today.

Bonds prove drop of comfort in ocean of bad debt

A stagnant economy has brought Japan's banks record profits but little improvement in their loan burden, reports Gerard Baker

It is difficult to find much good news these days for Japan's troubled banks. They were already labouring under a crippling burden of bad loans and recently their yoke has become much heavier. The collapse of several smaller banks over the summer was swiftly followed by the news that Daiwa Bank, one of the largest financial institutions, had lost a fortune in unauthorised US government bond trading.

The turmoil has raised funding costs at all Japanese banks and heightened investor nervousness about the security of the financial system.

All the more surprising, then, to discover that the country's banks are, in fact, enjoying one of their most profitable years to date.

While their balance sheets and international reputations have been weakened by talk of perpetual crisis, when they report their results next month for the six months to the end of September, they are likely to report very big increases in their core business profits.

Unfortunately for the banks, however, the gains owe nothing to restructuring, cost-cutting, or a surge in demand for lending. There is one overriding reason – the strength of the Japanese bond market.

As the economy has stagnated, long-term interest rates have declined to record lows. This has produced one of the most powerful bond market rallies in history – and the banks have been the principal beneficiaries.

The annual value of bonds traded at Japanese banks is more than Y150,000bn ($1,500bn). When the market is healthy that produces substantial commission income from customers. But even more importantly, banks buy and sell a large proportion of bonds for their own account, realising capital gains and losses on their portfolios.

Since March, when Japanese interest rates began to fall sharply, banks have played the market to considerable effect.

In March the yield on 10-year government bonds was 4.5 per cent. By the end of last month, it had fallen to 2.6 per cent, meaning bond prices had risen sharply. The banks were net buyers of Y400bn of bonds in March and April. Then, as yields fell and prices rose, they began to realise gains.

The overall effect on their earnings has been dramatic. For the six months to the end of September, according to unofficial reports from the main banks, the leading 21 lenders are likely to report increases in their operating profits of between 30 per cent and 50 per cent. Their combined profits are thought to have reached more than Y2,000bn, a record.

Of that, total bond trading profits are estimated at more than Y400bn in the six-month period, bigger than the banks' combined bond trading profits for the last five years.

"This last half year certainly looks likely to have been one of the best trading periods in Japanese banks' history," says Mr Koyo Ozeki, associate director at IBCA, the bank credit rating agency, in Tokyo.

For the troubled banks, it provides a vital breathing space in their struggle to rid themselves of the burden of non-performing loans.

Although ultimately the asset quality problem will only be dealt with by such improvements in operating profits – it is out of those profits that banks make provisions for the bad loans – these extra gains will enable the 21 banks to step up the pace of loan write-offs this year at least.

The banks' advances have not been entirely a matter of chance, of course. The authorities have deliberately assisted the bond market in the past six months in an effort to take pressure off the financial sector. The Bank of Japan has bought bonds in impressive quantities, pushing yields lower. Monetary policy has also been used to improve banks' profitability in other ways. Short-term interest rates have been cut to historic lows in the past six months.

This process helps banks, which tend to have a higher concentration of liabilities at the shorter end of the maturity spectrum; and a higher proportion of assets at the longer end. Since June, overnight interest rates have declined from 1.3 per cent to 0.5 per cent. Ten-year interest rates have declined more slowly, from 2.9 per cent to 2.7 per cent, increasing the margin banks can make on lending.

These improvements in the operating conditions for banks have parallels for other troubled financial institutions in other times.

In the early 1990s, the US authorities similarly assisted US banks to reduce their bad loans by improving their core profitability. Between 1990 and 1993 long bond yields declined from 8.6 per cent to 6.6 per cent, and the banks made substantial profits.

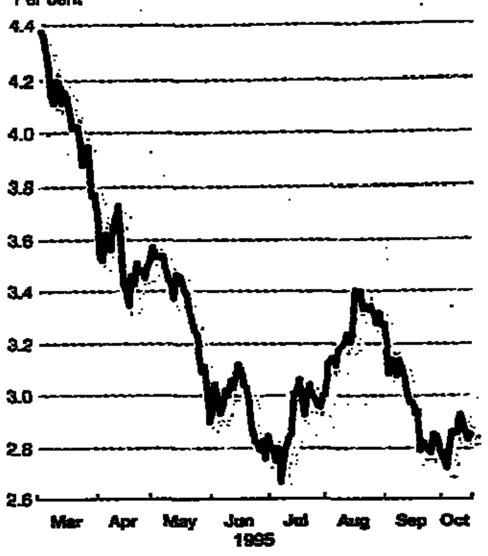
They, too, benefited from a steepening of the yield curve as the gap between short and long-term interest rates widened. The difference between 10-year and overnight rates increased from 1.1 per cent to 3.6 per cent in the same period. Within a few years the American banks were largely clear of the worst of the asset quality problems.

But, sadly for their Japanese counterparts, the parallel will not go that far. American banks were much more aggressive in writing off bad loans, and the system as a whole benefited from large injections of government money – not yet available in Japan. Japanese banks may be able to continue to play the yield curve if long-term interest rates begin to rise again in anticipation of economic recovery.

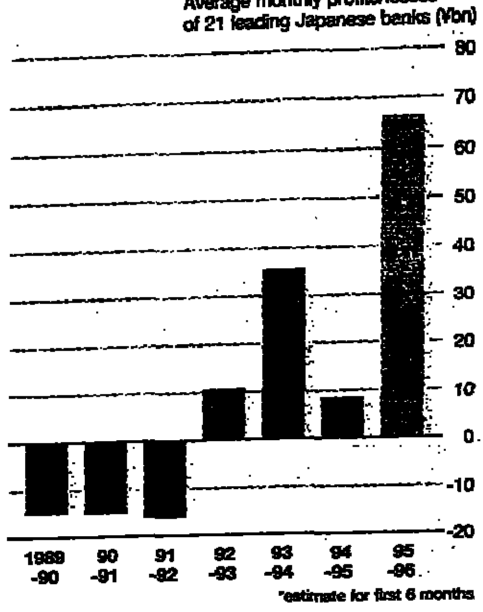
But as those long-term interest rates rise, the banks' opportunities to make profits on bond trading will diminish. And since even the impressive profits made this year will make only a small dent – less than 4 per cent – in their disclosed non-performing loans total, the long path out of the slump seems only a little shorter than it was six months ago.

Japanese banks

10-year government bonds
Yield
Per cent



Investment bonds
Average monthly profits/losses of 21 leading Japanese banks (Ybn)



Source: FT Extel; company reports

Anglovaal Mining profits fall 27%

By Roger Matthews
in Johannesburg

The poor series of quarterly financial results from South African gold mining companies has continued, with Anglovaal Mining reporting after-tax profits of R30.6m ($8.37m) for the three months to September 30, a 27 per cent decline on the R42.1m in the previous quarter.

Total gold production dropped from 8,948kg to 8,744kg, although average revenue was marginally higher at R45,907, as against R45,379. Total capital expenditure was R9.3m, from the previous quarter's R16.9m.

Output during the quarter was affected by labour problems and a fire at the Lorraine mine. Mr Rob Wilson, managing director, said this compounded other unhelpful factors such as a lacklustre dollar gold price, a reasonably strong rand and generally higher working costs.

He said more emphasis had to be placed on better and more effective use of labour, and the company was seeking the support of unions in finding solutions.

Mr Wilson said he was looking at various alternatives, but warned that there would not be any overnight solutions.

Hartebeestfontein's production was hit by sporadic industrial action in the form of stoppages and go slows, and this contributed to after-tax profit dropping from R33.9m in the previous quarter to R25.8m. Lorraine's after-tax profit fell more sharply from R4.1m to R1.2m, Eastern Transvaal Consolidated's was down from R4.4m to R3.2m, while Vaal Reefs turned a R340,000 loss in the previous quarter into a profit of R403,000.

Ownership a key to the future at Australian news group

Fairfax is in a quandary, though not a financial one, says Nikki Tait

Mr Stephen Mulholland, the outgoing chief executive of John Fairfax, told a New York investment conference this week that Mr Conrad Black should be allowed to lift his stake in the Australian newspaper group beyond its current 25 per cent limit. This, he said, would help promote diversity of ownership in Australia.

Similar pleas by Mr Black – the controlling shareholder of Hollinger International – in the past have fallen on deaf ears, and within hours Mr Mulholland's comment had met a similar fate. The Australian federal treasurer's office said there were no plans to relax the constraints on foreign ownership of the media.

This leaves Fairfax in a quandary – although not a financial one. The "rivers of gold", as the juicy classified advertising streams at the Sydney Morning Herald and The Age in Melbourne were once described, have flowed nicely of late. In the financial year to end-June, total advertising volumes rose 13 per cent, while advertising revenues increased 14 per cent. Coupled with cost-savings, profits before abnormals and tax were A$216.5m (US$164m), up 28.4 per cent over the previous year. Revenues were 12 per cent higher at almost A$950m.

The 1995-96 year will be tougher. For a start, the Australian economy is losing steam – a trend which began to affect Fairfax in the second half of 1994-95, and will have a more pronounced impact in the current year. Secondly, newsprint prices are rising strongly. Fairfax itself predicts a 25 per cent cost hike on this score.

Even so, with the benefits of a new A$315m colour printing plant at Chullora in Sydney – which began operating in September – the company's latest forecast was for "satisfactory profits growth".

Longer term, the outlook is more opaque. One big issue is what direction Fairfax should take in a fast-evolving world of information technology, superhighways, cable services, and growing Internet use.

To date, it has made only modest forays out of its traditional newspaper base – and one joint venture, which planned to provide a news service primarily for pay-TV operators, has already flopped.

The replacement of Mr Stephen Mulholland, chief executive since 1992, by Mr Bob Mansfield could be pertinent.

One issue is what direction Fairfax should take in a world of information technology, superhighways and cable services

Mr Mansfield was head-hunted from Optus, Australia's second telecommunications group and a partner in one of the two cable-based pay-TV services.

The executive, who takes up his post at Fairfax next month, has already made clear that while he "knows nothing about the newspaper business as yet", he has every intention of applying his "telephony skills".

Even so, many pundits doubt that the long-term strategy will be resolved until the inherently unstable ownership structure of Fairfax is also sorted out.

Aside from Mr Black, with 25 per cent, Mr Kerry Packer, the Australian businessman who controls the country's leading TV network, holds a 17 per cent state. He admits to wanting to control Fairfax, but in June Australia's federal cabinet decided to tighten cross-media ownership laws to entrench a 15 per cent limit – a move seen as preventing Mr Packer from going higher.

Mr Rupert Murdoch, meanwhile, has a much smaller stake – about 5 per cent – but has never clarified his intentions.

Given the ownership constraints and the poor relations between Mr Packer and the federal government, it is unlikely this situation will be resolved before the next federal elections, due in early 1996. But should this bring about a change of government, it is possible that media ownership rules would be reviewed. All bets could then be off.

Reuter
Stephen Mulholland: his successor has a telecoms background

First advertising campaign to raise profile in US after £2.4m loss

Body Shop drops to £9.1m

By Neil Buckley

Body Shop International, the cosmetics group, is to launch its first advertising campaign in an attempt to raise its profile in the US, after losses there contributed to a 26 per cent fall in interim profits.

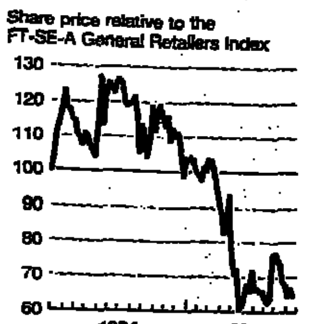
The pre-tax figure for the six months to August 26 fell from £12.3m to £9.1m ($14m). That reflected the increased operating costs Body Shop warned about at its full-year results in May, and a fall from £1.5m profit into a £2.4m loss in the US.

Total retail sales in the US increased 16 per cent to £44.1m. But taking out 27 newly-opened stores, like-for-like sales fell 8 per cent.

The like-for-like decline in the second half had improved to 2 per cent, but Mr Gordon Roddick, chairman, said Body Shop had to attract more US customers. It was launching a $2m radio and press advertising campaign in four regions during the Christmas period, with ads featuring "products combined with issues".

Body Shop

Share price relative to the FT-SE-A General Retailers Index



Source: FT Extel

While Ms Anita Roddick, chief executive, has appeared in adverts for American Express, Body Shop has previously refused to advertise.

"The advertising we set ourselves against was the type that persuaded people that if they used a product they would look 20, and attract every man from here to Land's End," Mr Roddick said. "But we have had to look at our levels of awareness in the US."

Mr Roddick said the increase in operating costs would total about £16m for the full year.

Gordon Roddick: Body Shop had to attract more US customers

Total retail sales from the group's 1,300 mainly franchised stores increased 15 per cent to £238.7m, with like-for-like sales up 1 per cent. Body Shop's own turnover increased 13 per cent to £105.4m.

Total UK sales grew 5 per cent to £63.5m, with like-for-like sales up 2 per cent. Sales in the other international regions increased 20 per cent to £131.1m, with sales in Asia 54 per ahead.

CTR wins court approval for $12m bond settlement

By Geoff Dyer

Central Transport Rental, the trailer rental group, has won court approval for a $12m settlement of a lawsuit with some of its bondholders.

The approval from the District Court of New Jersey, 10 months after the settlement was reached, opens the way for the group to proceed with its financial restructuring.

In October 1993 the bondholders brought the class action claiming bonds had been sold on the basis of "materially false and misleading" information. They had been seeking $700m, the amount raised by Tiphook from three tranches of bond issues between November 1992 and April 1993.

Before the court could finally approve the December settlement, the group had to win the acceptance of all the members of the class.

CTR said at least half of the $12m sum would be recovered from third parties, including insurers, and the remainder had been provided for.

The group is negotiating a financial restructuring, which could not have been completed until the legal action was settled. Mr Ian Clubb, chairman, said the group's target of completing the restructuring by the end of 1995 was still a "reasonable proposition".

CTR's precarious finances were highlighted last month. It said its net worth had become negative since the April year-end because of the strengthening dollar. It has net borrowings of £491m and a market capitalisation of £30.4m.

Dobson Park sales raise £4.9m

Dobson Park Industries, the mining equipment manufacturer facing a £172m takeover offer from Harnischfeger Industries of the US, has sold a disused factory site to Caradon Duraflex, a subsidiary of the building products group Caradon, for £4.9m ($8m).

Dobson, which will use the proceeds to reduce debt, is negotiating to sell another £7m of surplus property.

Crowe Underwriting

Crowe Underwriting, the Lloyd's agency, is breaking new ground in the insurance market with the launch of a £10m ($15.5m) investment vehicle which would allow shareholders to use assets to support underwriting but retain control over their investment portfolios.

Shareholders in the new unquoted limited liability company will be required to subscribe 25p in cash for every 100p share. Existing investment portfolios will be lodged at Coutts & Co, the bank, and used as collateral to guarantee the uncalled 75p.

AsiaPacific Fund

Schroder Investment Management has raised £104.8m from the placing for its new AsiaPacific Fund. There is now an open offer for shares, with the total amount to be raised capped at £150m.

Fisons completes disposals

Fisons said yesterday that it had completed the sale of Curtin Matheson Scientific in the US and Fisons Scientific Equipment in the UK, the distribution businesses within the Fisons Laboratory Supplies Division, writes Daniel Green.

The buyer is US company Fisher Scientific International, which is paying $310m; of which $301m in cash and the assumption of $9m of debt.

The completion of the sale leaves only one of Fisons' proposed disposals unfinished, that of the laboratory equipment division.

Nynex CableComms customers rise 71%

By Raymond Snoddy

Nynex CableComms, the second largest cable operator in the UK, now has 164,733 cable television customers, according to its third quarter performance details announced yesterday.

The figure represents an increase of 71 per cent over the same quarter last year.

Mr Eugene Connell, president and chief executive, said the company's success in winning and retaining new customers confirmed its strategy for growth. He added that 40 per cent of its network was now built.

Although the number of cable subscribers rose dramatically, the penetration rate increased only marginally with the basic rate rising 0.6 percentage points to 18.9 per cent, against the industry average of 21.5 per cent.

However, the cable television annual "churn rate", fell from 34.4 to 30.3 per cent – a figure below the industry average.

On the telecommunications side, Nynex increased the number of domestic telephones from 69,148 to 189,764, while business lines rose from 4,496 to 11,705.

Gloom grows in small companies

By Christopher Price

UK smaller companies are less confident about growth prospects than they were three months ago, a survey by SBC Warburg has found. The quarterly survey attracted a 36 per cent response rate from the 1,000 companies contacted, all of which are valued at less than £320m.

It found that overall optimism had fallen from 33 per cent to 21 per cent since March, and down from 57 per cent on a year ago. General industrial groups were the least optimistic on growth and orders, with a balance of 10 per cent expecting orders to become more difficult to win in the next three months.

The same number said they were likely to shed staff in the near future, compared with about 15 per cent who had expected to take on staff six months ago.

Companies in the consumer industries were found to be the most optimistic. Some 37 per cent were reported as more hopeful about the outlook for their businesses compared with 22 per cent last quarter. Price increases were being achieved and more were expected, while both output and orders were reported to be firm.

However, other sectors were less upbeat about future price increases. While a balance of 39 per cent of companies had raised prices in the past year, only 12 per cent of companies expected to raise prices over the next 3 months.

Capital investment is also on the wane, according to the survey, with the number of companies on balance expecting to increase expenditure down from 54 per cent to 37 per cent.

One bright note was exports, with 41 per cent of companies more upbeat about overseas orders, only slightly down from three months ago.

To the Holders of

Stichting Restructured Obligations Backed by Senior Assets 2 (ROSA 2)

Pursuant to the Indenture dated as of January 10, 1992, between the Parent and State Street Bank and Trust Company, as Trustee, notice is hereby given that for the Interest Accrual Period October 16, 1995 through January 15, 1996, the rates applicable to the Secured Senior Floating Rate Notes and Secured Subordinated Floating Rate Notes are 6.5875% and 7.2875% respectively.

LEGAL NOTICES

D B LENIHAN & SONS LIMITED

REGISTERED NUMBER: 01046748

Nature of business: Haulage Contractors

Trade classification: 7030

Date of appointment of administrative receivers: 12 October 1995

Name of person appointing administrative receivers: National Westminster Bank plc

N RUDDOCK and I JACOB

Joint Administrative Receivers

(office holder nos. 006877 and 002121) of

Robson Rhodes, 186 City Road, London EC1V 2NU

Repola Ltd shareholders are hereby invited to attend an Extraordinary General Meeting of Shareholders, which will be held in the Congress Wing of Helsinki Fairs Centre, Rautatieläisenkatu 3, Helsinki, Finland at 2:00 p.m. on October 31, 1995. The listing of shareholders registered to participate in the meeting and the distribution of voting slips will commence at 1:00 p.m.

The Meeting will deal with the Board of Directors' proposal for the approval of a Merger Agreement between Repola Ltd and Kymmene Corporation as well as the following related matters:

SUMMONS TO AN EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

1. Approval of the Merger Agreement

On September 11, 1995 the boards of directors of Repola Ltd and Kymmene Corporation approved a Merger Agreement, according to which Kymmene Corporation and Repola Ltd will merge by forming a new company called UPM-Kymmene Corporation, to which the assets and liabilities of both merging companies will be transferred against shares in the new corporation (combination merger). The Merger Agreement includes a proposal for the Articles of Association of UPM-Kymmene Corporation.

Upon the merger becoming effective, the shareholders of Kymmene Corporation and Repola Ltd shall become shareholders of UPM-Kymmene Corporation in accordance with the following:

(a) Kymmene Corporation shareholders will receive seven (7) UPM-Kymmene Corporation shares with a nominal value of ten (10) Finnish marks per share in exchange for five (5) Kymmene Corporation shares with a nominal value of twenty (20) Finnish marks per share.

(b) Repola Ltd shareholders will receive one (1) UPM-Kymmene Corporation share with a nominal value of ten (10) Finnish marks per share in exchange for one (1) Repola Ltd share with a nominal value of ten (10) Finnish marks.

The merger consideration shall be disbursed to the shareholders within the book entry securities system so that all the Kymmene Corporation and Repola Ltd shares recorded in the book entry accounts of all those on the lists of registered shareholders of Kymmene Corporation and Repola Ltd on the registration date of the court approval for execution of the Merger Agreement will be converted into UPM-Kymmene Corporation shares in accordance with the share exchange ratios specified above.

When the number of Kymmene Corporation shares owned by a shareholder on the registration date of the court approval for execution of the Merger Agreement is not exactly divisible by five, the monetary value of the shares held in excess of the nearest exactly divisible number shall be calculated on the basis of the trading-weighted average share price quoted on the Helsinki Stock Exchange over the period 1 October, 1995 - 31 March, 1996 and shall be paid to the shareholder in consideration of the merger. The Board of Directors of Kymmene Corporation shall notify shareholders of the value of the shares, calculated in the above-mentioned manner, not later than two weeks before the merger comes into effect.

Share capital of UPM-Kymmene Corporation

The share capital of UPM-Kymmene Corporation will be FIM 2,673,744,930 if all the issued shares are converted in accordance with the share exchange ratios specified above.

The final amount of UPM-Kymmene Corporation's share capital will depend on the following factors: how many Kymmene Corporation and Repola Ltd shareholders elect to demand the redeeming of their shares as a consequence of the merger, how many share-conversion rights are exercised on the basis of convertible bonds and debentures issued earlier by Kymmene Corporation and Repola Ltd, how many Repola Ltd shares are subscribed on the basis of equity warrants attached to an earlier issue of a bond loan by Repola Ltd, how many Kymmene Corporation shares are held by individual shareholders in excess of a number exactly divisible by five at the time that they are exchanged for UPM-Kymmene Corporation shares, and how many shares in one of the merging companies are owned by the other merging company. In the last-mentioned case, UPM-Kymmene Corporation shares shall not be issued against shares so owned.

Repola Ltd's 1994 issue of convertible debentures

As a consequence of the merger, holders of debentures belonging to the FIM 960,000,000 issue of convertible debentures launched by the Board of Directors of Repola Ltd on 25 February, 1994 shall, contrary to the terms and conditions of the issue, be additionally entitled to convert their debentures into shares during the period 1 November to 30 November, 1995.

New shares converted before the merger comes into effect shall, according to the terms and conditions of the issue, be entitled to dividend for the first time in respect of the financial period during which the conversion took place. Other shareholder rights shall, contrary to the terms and conditions of the issue, begin on the day that the debentures are surrendered for conversion into shares.

Those convertible debenture-holders who have converted their debentures into shares before the merger comes into effect shall be entitled to merger consideration for the shares thus obtained.

With regard to those debentures not converted into Repola Ltd shares before the merger comes into effect, the capital and interest of the convertible debenture issue shall become liabilities of UPM-Kymmene Corporation on the date when the merger comes into effect. After the merger has come into effect, debentures can be converted into UPM-Kymmene Corporation shares so that 78 UPM-Kymmene Corporation shares with a nominal value of at ten (10) Finnish marks per share shall be issued against every debenture with a nominal value of 10,000 Finnish marks. The calculated conversion price of the share will be FIM 128.21. The debenture conversion period shall begin on the date that the Merger Agreement comes into effect and shall close on 25 March, 2004. The annual conversion period shall, in accordance with the terms and conditions of the issue, be 1 January - 31 October.

Repola Ltd's 1991/II issue of a bond loan with equity warrants

As a consequence of the merger, holders of warrants belonging to the FIM 1,500,000 issue of a bond loan with equity warrants launched by Repola Ltd on 15 May, 1991 shall be additionally entitled to exercise their warrants in respect of Repola Ltd shares, contrary to the terms and conditions of the issue, during the period of 2 January - 29 April 1996.

New shares subscribed before the merger comes into effect shall be entitled to dividend for the first time in respect of the financial period following that during which subscription took place. Other shareholder rights shall, contrary to the terms and conditions of the issue, begin on the day that the shares are subscribed and paid for.

Those warrant-holders who have subscribed and paid for shares before the merger comes into effect shall be entitled to merger consideration.

The capital and interest of the issue of the bond loan with equity warrants shall become liabilities of UPM-Kymmene Corporation on the date when the merger comes into effect. After that same date, warrants may be exchanged for UPM-Kymmene Corporation shares so that each warrant is used to subscribe 15,000 UPM-Kymmene Corporation shares valued nominally at ten (10) Finnish marks per share. The share subscription price shall be fifty (50) Finnish marks and the share subscription period shall be 15 May, 1996 - 15 May, 1997.

2. Decision on the remuneration to be paid to the Board of Directors and Auditors of UPM-Kymmene Corporation

3. Election of members of the Board of Directors of UPM-Kymmene Corporation

Nine (9) members shall be elected to the Board of Directors of UPM-Kymmene Corporation. The term of office of a member of the Board of Directors shall begin at the end of the General Meeting of Shareholders at which he is elected and shall end at the conclusion of the third Annual General Meeting to take place thereafter, however, so that each year one third (1/3) of the members of the Board resign in accordance with the set rota.

According to the Merger Agreement, the following persons shall be proposed to the Meeting for election to the Board of Directors: Casimir Ehrnrooth, Chairman of the Board of Kymmene Corporation; L. J. Jouhki, President of Thomesto Trading Companies; Jouko K. Leskinen, President and CEO of the Sampo Insurance Group; Tauno Matomäki, President and CEO of Repola Ltd; Yrjö Niskanen, President and Chairman of the Pohjola Group; Jukka Rantala, CEO of the Pohjola Group; Professor Jorma Routti, President of SITRA; Gustaf Serlachius, Chairman of the Gösta Serlachius Art Foundation; Vesa Vainio, President and CEO of the Merita Group.

4. Election of the Auditors of UPM-Kymmene Corporation

Two (2) auditors and two (2) deputy auditors shall be elected to serve as the Auditors of UPM-Kymmene Corporation. According to the Merger Agreement, Eric Haglund, B. Sc. (Econ.), C. P. A. and Tauno Haataja, M. Sc. (Econ.), C. P. A. shall be proposed to the Meeting for election to the posts of auditors, and KMPG Wideri Oy Ab and Salmi, Virkkunen & Helenius Oy, both firms of Certified Public Accountants to serve as deputy auditors.

The Merger Agreement, its associated proposal for the Articles of Association of UPM-Kymmene Corporation, and the other documents specified in section 14, sub-section 1, point 3 of the Companies Act shall be available for inspection by shareholders from 23 October, 1995 at Repola's head office, the address of which is Snellmaninkatu 13, FIN-00170 Helsinki, Finland. From the above-specified date, shareholders shall be entitled to receive copies of the above-mentioned documents if they so request. A Merger Memorandum shall be available at all branches providing asset management services of Merita Bank Ltd from 23 October, 1995.

In accordance with section 3a, sub-section 11 of the Companies Act, any shareholder who is recorded as being such on the Company's list of registered shareholders by not later than 20 October, 1995 shall be entitled to participate in the Meeting. Moreover, any shareholder whose shares have not been transferred to the book entry securities system shall also be entitled to participate in the Meeting provided that the shareholder in question was recorded on the Company's list of registered shareholders prior to 28 February 1994 or that the shareholder has reported and proved his title to the shares in question to the Company. In these circumstances a shareholder must present at the Meeting his share certificates, or furnish proof of where the shares are kept, or some other evidence that the ownership rights to the shares in question have not been transferred to a book entry account.

In order to take part in the Meeting, a shareholder must register with the Company by not later than 12:00 noon on 27 October, 1995, either in writing to: Repola Ltd, Share Register, Snellmaninkatu 13, P. O. Box 203, FIN-00171 Helsinki, Finland, or by telephone to: +358 0 1828314 or +358 0 1828315, or by facsimile to: + 358 0 1828380. Those registering in writing must ensure that the letter is received before the close of the registration period. Any powers of attorney should be sent in connection with preliminary registration. Voting slips will be distributed on the day of the Meeting prior to its commencement.

This has been issued by Repola Ltd and approved by Goldman Sachs International, regulated by The Securities and Futures Authority, solely for the purposes of Section 57 of the Financial Services Act 1986.

Helsinki, 18 October, 1995

SUPERVISORY BOARD

REPOLA

SGA SOCIETE GENERALE ACCEPTANCE N.V.
FRF 300.000.000
REVERSE FLOATING RATE NOTES DUE OCTOBER 15, 1997
ISIN CODE : XS0034197037

For the period October 16, 1995 to January 15, 1996 the rate has been fixed at 14,70316 % P.A.
Next payment date : January 15, 1996
Coupon nr : 14
Amount :
FRF 37 166,32 for the denomination of FRF 1 000 000

THE PRINCIPAL PAYING AGENT
SOGENAL
SOCIETE GENERALE GROUP
15, Avenue Emile Reuter
LUXEMBOURG

KAUFHOF

Kaufhof Finance B.V.

Can$ 100,000,000 Collared Floating Rate Notes 1993/2003

(Issued under the DM 1 billion Multi-Currency Euro Medium Term Note Programme of Kaufhof Holding AG) Tranche-No.: L1

The Rate of Interest applicable to the Interest Period from October 16, 1995 to January 15, 1996, inclusively, was determined to be 6.5 per cent per annum. Therefore, on January 16, 1996, Interest per Note of Can$ 1,000 principal amount in the amount of Can$ 16.38 and interest per Note of Can$ 10,000 principal amount in the amount of Can$163.84 is due.

Frankfurt am Main,
October 1995

Dresdner Bank
Aktiengesellschaft
Calculation and Principal
Paying Agent

COMPANY NEWS: UK

WH Smith lifted by 8% sales advance

By Neil Buckley

W. H. Smith's shares emerged from the doldrums yesterday after the retailing and wholesaling group revealed better-than-expected sales figures for the first quarter.

The shares gained 21p, to 377p, after Mr Jeremy Hardie, chairman, told the annual meeting that group sales for the three months to September 2 were up 8 per cent. That was before the discounting on books sparked by last month's collapse of the Net Book Agreement, which enabled publishers to fix the price of books.

Mr Hardie reported sales in the core W. H. Smith chain ahead 2.8 per cent, with like-for-like sales, which exclude new stores, up 1.4 per cent. With many retailers reporting disappointing sales figures during the summer heatwave, analysts had forecast a group increase of about 5 per cent, with forecasts for the W. H. Smith chain ranging from flat to a 1.5 per cent like-for-like decline.

Jeremy Hardie: restructuring costs to hit interim figures

"It does look like things are coming together, particularly in terms of sentiment," said one analyst. "If people believed the supermarkets were just going to knock seven bells out of Smiths, that plainly hasn't happened."

W. H. Smith's shares fell sharply in May when it warned profits for the year to June would be about £115m – below market forecasts of £128m and the previous year's £124m. The main reason was a 1.3 per cent sales decline in the W. H. Smith chain, sparking fears that it would be squeezed between supermarket groups expanding into its product areas, and specialist book and music shops.

The group has reshuffled management, and is seeking a new chief executive to succeed Sir Malcolm Field, who retires next year. It has redesigned stores, adopted more aggressive promotions, and increased advertising.

Mr Hardie said Waterstone's, the book chain, increased sales 13.8 per cent, while the Virgin Our Price music lifted sales 15.9 per cent. Sales trends had been maintained into the second quarter.

See Lex

Bridport-Gundry achieves profits in all its divisions

Bridport-Gundry achieved "a landmark in the group's turnround," Mr David Sebire, chairman, said yesterday. It was the first time for many years that its full-year results had not shown at least one of its businesses in loss, writes Roland Adburgham.

The technical textiles and aviation products manufacturer saw pre-tax profits for the year to July 31 improve by 77 per cent to £1.34m (£753,000). Turnover on continuing operations was up 4.7 per cent to £28.4m.

Mr Sebire was confident that the group could build its renewed strength, "especially as the new financial year has started well". Preliminary work and research had been undertaken with a view to acquisitions.

The proposed final dividend of 2.22p increases the total to 3.6p (3p). Earnings per share came out at 8.64p (6.16p).

The shares rose 13p to 148p.

Mickey Mouse to join Polly Pocket

By David Blackwell

Polly Pocket has a fairly low City profile – but Mickey Mouse is big time.

News that he was joining Polly at Bluebird Toys was enough to send shares in the UK toy company zooming up 97p to close at 367p.

Polly Pocket is six years old, about an inch high, is produced in China, and is dear to the hearts of little girls all round the world. She contributes most of the profits at Bluebird Toys, which yesterday announced a deal to extend its expertise in miniaturisation to Disney characters.

Under a three-way agreement Bluebird will develop and market a range of collectable playsets based on Disney characters. Mattel, the biggest US toy group and famed for the Barbie doll, will distribute the toys outside the UK and the Republic of Ireland.

"The access to both classic and new Disney characters gives us another world brand," said Mr Christopher Burgin, who became chief executive at Bluebird last year after 18 years with Hasbro.

Mr Tim Baldwin, smaller companies analyst at Greig Middleton, estimates that Polly Pocket accounts for two thirds of Bluebird's profits.

"Let's face it Polly Pocket is not as big a brand as Disney, so the potential is strong," he said. "Bluebird has made the miniature playset concept enormously successful, and there is no real competition."

Midshires buys £1.8bn loan book

By Alison Smith

Birmingham Midshires is to become the UK's tenth largest building society after buying the £1.8bn ($2.8bn) UK residential mortgage business of Bayerische Hypotheken-und-Wechsel-Bank of Germany.

The price was not disclosed, but could be up to six per cent of the value of the book, which would put it at a maximum of £108m. Hypo-MSL, which sells through intermediaries, is still taking on new business and has 28,000 customers.

The acquisition, more than three times larger than any of Midshires' previous purchases, will increase the lender's total assets to about £7bn enabling it to overtake Yorkshire.

It will also give fresh impetus to the government's plans to allow building societies to give membership rights to borrowers who have loans with them through books they have bought. At present when societies buy mortgage books they can do so only through subsidiaries. Homeowners whose mortgages are held by subsidiaries are barred from the membership rights enjoyed by borrowers from the society itself. The deal will result in almost 30 per cent of the society's borrowers having their mortgages with subsidiary bodies, an unusually high proportion.

The Hypo-MSL mortgage business is one of the largest sold recently and the deal may well be the last on such a scale. The scarcity of £1bn-plus home loan portfolios has driven up prices so that some mainstream lenders now find them unattractive.

Abbey National, which last November bought Household Mortgage Corporation and its £1.6bn in outstanding mortgages, has told staff in HMC that it no longer intends to buy mortgage assets because they cost too much.

Minnow breaks Albright's monopoly

By Jenny Luesby

SB Chemicals, a tiny washing detergent manufacturer, has succeeded in breaking an Albright & Wilson monopoly in the £190m laundry liquids market, through a four year patents battle.

The contest in effect ended last Friday when Albright decided not to present evidence at a trial due this week.

Albright had charged SB Chemicals with patent infringement when SB started producing an own-label laundry liquid for the Superdrug chain.

Albright secured control of the market for white laundry liquids through a patent on the way in which cleaning chemicals are held in suspension.

This meant that, regardless of the other ingredients used, producers of white liquid detergents, such as Unilever and Colgate-Palmolive, have had to manufacture under licence from Albright.

In addition, the producers of own-label liquid detergents have had to buy from the Robert McBride group, which has an exclusive distribution agreement with Albright.

Only Procter & Gamble uses a rival liquid, which is blue.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
BDA	6 mths to July 31	0.36	(0.71)	0.065L	(0.545L)	0.36L	(3.01L)	nil	-	nil	-	nil
Berry Birch & Noble	6 mths to Jul 31	3.34	(4.05)	0.048L♠	(0.38)	1.2L	(4.4)	nil	-	1.8	-	2.8
Blockleys	6 mths to June 30	5.28	(5.24)	0.211L	(0.122)	0.58L	(0.32)	nil	-	0.4	-	0.8
Body Shop Intl	6 mths to Aug 26	105.4	(93.5)	9.1	(12.3)	2.8	(4.2)	1.08	Jan 11	0.9	-	2.4
Bridport-Gundry	Yr to July 31	28.4	(28)	1.34	(0.753♠)	8.64	(6.16)	2.22	Jan 17	1.75	3.6	3
DFS Furniture	Yr to July 29	145.1	(134.9)	26.2	(21.4♠)	16.57	(13.3)	5.65♦	Dec 15	4.9	8.3	7.2
Ewart	Yr to Apr 30	7.59	(5.9)	1.15♠	(1.13)	3.11†	(5.21)	0.6	Dec 14	0.6	1.1	1
Havelock Europa	6 mths to June 30	22.8	(15.7)	2.05	(1.56)	5.3	(5.2)	1.2	Dec 21	1	-	3
IAWS ‡	Yr to July 31	510.6	(479.5)	16.2	(12.8)	10.2	(8.7)	1.392	-	1.265	2.657	2.415
Omnimedia Φ	6 mths to June 30	0.2	(0.125)	0.279L	(0.421L)	-	(-)	-	-	-	-	-
Town Centre Secs	Yr to June 30	22□	(20□)	9.31	(8.81)	6.38	(5.4)	2.25	Jan 2	2.08*	3.25	3.04*

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Gartmore Brit Inc	9 mths to Sept 30 ■	93.2	(75.4★)	1.35	(0.941)	6.6	(4.59)	1.95‡	Nov 30	1.82	-	6¥
Geared Income	6 mths to Sept 30	56.33	(98.89)	1.89	(0.858)	4.47†	(2.76)	1.75#	Nov 30	1.75	-	8.25
Hoare Govett 1000	6 mths to Sept 30	102.71	(90.14)	0.256	(0.258)	0.85	(0.86)	0.75	Dec 8	-	-	0.75
Hoare Govett Smaller	6 mths to Sept 30	139.04	(126.56)	0.95	(0.883)	1.43	(1.33)	1	Dec 8	1	-	2
R&M Geared	6 mths to Sept 30	36.12	(33.28)	0.502	(0.461)	3.58	(3.29)	1.463‡‡	Dec 29	1.4	-	7.525
Scottish American	9 mths to Sept 30	-	-	-	-	-	-	1.26	Jan 5	1.21	-	4.82

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. ♠Includes exceptional charge. †On increased capital. ♦Additional special (second interim) of 10p payable. ‡Irish currency. ΦAim stock. □Gross revenue. *Adjusted for scrip issue. ■Comparatives for 28 weeks to September 30 1994. ★At December 31 1994. ‡Third interim; makes 5.85p to date. ¥Includes special of 0.54p. #Second interim; makes 3.5p to date. ‡‡Second interim; makes 2.863p to date.

CONTRACTS & TENDERS

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COMMODITIES AND AGRICULTURE

Wheat prices 'heading for all-time high'

By Alison Maitland

US wheat prices would reach an all-time high in the next six months, driven by an unprecedented worldwide shortage, the Economist Intelligence Unit predicted yesterday.

It said supply problem would reach "crisis proportions" if wheat exporting countries in the southern hemisphere suffered substantial shortfalls as they began to harvest their crops.

In the latest issue of its World Commodity Forecasts, the EIU forecast that US hard winter wheat would hit a record of $210 a tonne. Wheat was quoted at $173 yesterday, having been volatile since reaching a 15-year peak of $197 in July.

The EIU said the amount of wheat available for export would total 97m tonnes in 1995-96 – 3m tonnes short of estimated needs.

Beyond the next six months, the prospect of bigger harvests next year in the US and other exporting countries should push prices lower. "But any hint of availabilities falling short of needs in 1996-97 will bring speculators into play and cause further price escalation."

The report said a big decline in exporters' stocks last season set the scene for this year's much reduced export supplies. Country after country then recorded crops at the low end of expectations.

Adverse weather pushed US wheat yields to the lowest levels since 1989 and the planted area was the smallest for four years, despite the absence of set-aside. Drought devastated Spanish crops and fierce heat hit northern Europe. Argentina and Australia also suffered unusually dry weather.

On the import side, the EIU said developing countries would not necessarily replace wheat with substitutes such as maize or rice. These grains had also risen in price and many governments would prefer to struggle to foot the wheat import bill rather than "face the consequences of leaving domestic needs unfulfilled".

China would probably have to import more wheat than last season's 10m tonnes to help keep domestic inflation down and maintain subsidised grain supplies to the cities. So far, it had contracted for only about 4m tonnes. "The later China delays buying the rest of its needs, the more world markets are likely to be disrupted."

Russia, too, may have to import more wheat from the world market after the worst harvest in 30 years.

The report said the amount of maize available for export should fall just short of world import requirements of 66m tonnes, leading to some rationing by price.

"But unlike wheat, a big crop next year in the US should be sufficient to restore normality," said the report. "The peak of prices, now forecast at about $150 a tonne early in 1996, should therefore be relatively short-lived."

Istanbul's gold exchange comes of age

Bernard Kennedy on an effort to mobilise the economic power of hoarded metal

The Istanbul Gold Exchange, opened in late July, came of age earlier this month when it elected its own directors.

The first general meeting of exchange members also considered participation in a company that had been set up to establish a refinery in Istanbul to produce gold to international norms. The refinery will be an important step towards realising hopes of transforming gold jewellery kept by ordinary people for hard times into a resource for the national economy.

Meanwhile, the gold-hoarding Turkish public is being introduced to the idea of gold banking, and the exchange has set its sights on developing futures trading and winning a sizeable slice of the world's gold business.

With the inauguration of the exchange the Turkish central bank's monopoly on gold imports came to an end and instead the exchange became the mechanism by which imported gold is marketed to jewellers. Turkey is a major importer of gold (as well as a modest exporter of gold jewellery), and the average daily volume of transactions has worked out at about 950kg a day over the two an a half months that the exchange has been in business.

"The jewellers were worried about two things at first," explained Mr Kaan Aytoğu, the general secretary of the exchange, "one was the price". Mr Aytoğu put the US$250 a troy ounce margin that opened up between the Istanbul price and world spot prices in the first few days of trading down to inexperienced importers failing to meet demand. The margin has since narrowed by more than half, although refinery commissions and handling costs still make Istanbul gold – mainly obtained from Britain and Switzerland – relatively expensive. Almost all of the dealing is taking place on the basis of liras a kilogram rather than dollars a ounce.

"The other concern was about clearing," Mr Aytoğu continued. "Now they are very happy. Trading ends at 1pm and at 2.30 or 3 o'clock everybody gets their gold." For the rest of the day, prices go on rising and falling at the Grand Bazaar, the traditional home of the gold and jewellery sector and still the best place to take the pulse of the local market.

Now only the exchange chairman and a Treasury representative are government appointees. The three other seats on the board are occupied by elected representatives of the three groups of exchange members: the banks, the foreign exchange dealers and the metals traders or jewellers.

"We have gained experience," said Mr Aytoğu, "now it is time for the next step." By this he meant the refinery project. According to Mr Aytoğu, the amount of scrap gold kept under mattresses in Turkey was at least 6,000 tonnes. "This is not a figure plucked out of the air by magic; it is based on central bank statistics and other records."

The idea is to persuade people part with some of this gold by depositing it with banks in return for interest. Then it can be refined and lent to jewellers or sold on the exchange, reducing the gold import bill of up to $2bn a year.

"Even if you pay interest for the gold, it's cheaper than foreign borrowing," Mr Aytoğu pointed out.

The announcement that a company had been formed to establish a refinery came from the president of the Istanbul Chamber of Jewellers, Mustafa Yilmaz Oztepe. All jewellers and members of the exchange will be invited to buy into the company at a later stage. The exchange itself is interested in becoming a minor partner with a management role.

Mr Oztepe said that it was in touch with "about ten" internationally known firms. "We will either enter into a joint venture or bring our own technology up to date," he said. The refinery would have a capacity of 100 tonnes a year and would cost about $5m to establish, exclusive of the gold needed to commission it. Construction and commissioning would take several months and another year would be needed to achieve international recognition.

But will people hand over the bracelets which they have amassed or the coins that were pinned to their wedding dresses? Toprakbank is the bank that has been pioneering the gold deposit account, offering holders the additional incentive of cheap consumer credit.

"This business will increase greatly in the year to come," the bank's general manager Mr Salih Yardimci predicted. Everybody who used the bank also owned gold, he said, so in future there could be as many gold deposit accounts as money accounts. Gold is accepted by Toprakbank in all forms after valuation by bank experts.

"Two hundred tonnes of gold is already being recycled in Turkey by jewellers every year," Mr Yardimci claimed. He therefore had no doubt that the proposed refinery would be able to operate at full capacity. Toprakbank is one of the refinery company's 17 founding partners.

The gold exchange will begin to attract speculative investment when futures trading gets under way. That would be in the first quarter of 1996, Mr Aytoğu said.

At present, regulations were being drawn up and software examined. Mr Aytoğu had other goals too. He looked forward to trading in other precious metals and to serving a wider hinterland. Uzbekistan, he said, had the option of joining the exchange.

"We are not building a gold refinery for the sake of national pride," he insisted. "We are geographically very well situated in Istanbul. Refineries are being built in Saudi Arabia and Uzbekistan as well. But Uzbekistan doesn't have the infrastructure. For us, the Turkic states would be the supply side and India and the Middle East the centres of demand."

Commission agrees to review EU sheep and goats regime

By Caroline Southey in Brussels

The European Commission has agreed to review the European Union's aid regime for sheep and goat producers following criticisms that the system was open to fraud and was attracting a disproportionate amount of expenditure.

The European Court of Auditors has urged the commission to re-examine the mechanism for paying sheep and goat farmers so that the premiums are made more selectively and go to production in regions where it is impossible to pursue other farming activities.

The report says that "there is an inherent risk of irregularities in the system of premiums" and that "certain recommendations must be made straight away".

"Alternatives to the current system must be examined and more precise, clearly defined and regularly evaluated objectives pursued," the auditors' report says.

The report points out that expenditure on the sector has climbed from Ecu600m in the early 1980s to Ecu 2bn (£1.65bn). Nearly all the payouts relate to premiums paid for 80m ewes and goats kept by 600,000 producers.

Expenditure per kilogram of meat produced is at present Ecu 1.7, which is more than three times the expenditure incurred for beef and veal (Ecu0.55) and much more than that for pigmeat (Ecu 0.1).

The auditors have urged the commission to introduce a system that ensures a more selective and effective aid.

Alcan move 'unlikely to spark rush of aluminium restarts'

By Kenneth Gooding, Mining Correspondent

The aluminium market was yesterday pondering the implications of a decision by Alcan of Canada, the second largest producer, to restart 58,000 tonnes of idled capacity. Most analysts said this was unlikely to spark a rush of restarts by other big producers.

"Production is increasing, but the major producers insist that they will not restart the bulk of their idle capacity until the market clearly needs it," said Mr Alec Gordon, editor of the Economist Intelligence Unit's Industrial Raw Materials newsletter.

Trade representatives from six big producing regions – Australia, Canada, the European Union, Norway, Russia and the US – signed a "memorandum of understanding" early last year, agreeing that between 1.5m and 2m tonnes of annual capacity needed to be shut for up to two years to bring the market back into balance and reduce stocks.

About 900,000 tonnes of capacity outside Russia was shut either just before or immediately after the MOU was signed.

Mr Robin Bhar, analyst at Brandeis, part of the Pechiney group, pointed out yesterday: "So many of the MOU cuts are controlled by a few major producers there will be an orderly and disciplined return to production".

An analysis of the situation at Alcan, the world's second largest aluminium producer, by Ord Minnett, a stockbroking affiliate of Jardine Fleming, shows that the group intends to restart 16,000 tonnes in the UK and 40,000 tonnes at various Quebec smelters so that they will run at full capacity and will compensate for output lost during the recent strike in Quebec. "Thus out of a total of 156,000 tonnes idled under the MOU agreement, Alcan is reactivating 36 per cent, leaving 100,000 tonnes yet to be started," pointed out analyst Mr Nick Moore.

Mr Gordon at the EIU said: "Producers will need to restart a substantial block of capacity to meet demand in 1996. By 1997, however, our forecast assumes that demand will ease for cyclical reasons, avoiding a real tightness and very high metal prices. In the short term, the lack of highly visible restarts combined with steadily falling London Metal Exchange stock, should prompt an upturn in prices towards $2,000 a tonne. Prices will continue rising until mid-1996." Three-month aluminium closed on the LME last night virtually unchanged at $1,667.50.

MARKET REPORT

Copper prices plunge to 11-month lows

COPPER prices crashed to 11-month lows at the London Metal Exchange yesterday, with the three months delivery position ending at $2,650 a tonne, down $73. Heavy chart-based selling had raised expectations of further heavy losses to come, traders said.

Investment funds and banks were among the sellers as the market sank below key support at the previous 1995 low of $2,688.

Compiled from Reuters

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1631-2	1667-8
Previous	1631.5-32.5	1668-69
High/low	1631	1682/1663
AM Official	1629-30	1666-66.5
Kerb close		1665-67
Open int.	210,080	
Total daily turnover	59,698	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1395-405	1435-45
Previous	1385-95	1430-40
High/low		1432/1430
AM Official	1385-92	1425-32
Kerb close		1420-40
Open int.	3,099	
Total daily turnover	1,827	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	651-55	650-51
Previous	642.5-4.5	642-43
High/low	635	651/634
AM Official	634-35	638.5-39.0
Kerb close		644-45
Open int.	32,903	
Total daily turnover	9,439	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7780-90	7905-10
Previous	7770-80	7900-905
High/low		7920/7870
AM Official	7760-70	7890-95
Kerb close		7900-10
Open int.	45,053	
Total daily turnover	7,599	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6120-25	6185-90
Previous	6155-65	6220-25
High/low	6110	6190/6150
AM Official	6115-25	6195-200
Kerb close		6160-70
Open int.	19,005	
Total daily turnover	5,094	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	962-63	986-87
Previous	956-57	989-90
High/low	964	991/982
AM Official	964-64.5	988-88.5
Kerb close		982-3
Open int.	82,104	
Total daily turnover	15,190	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2700-705	2678-79
Previous	2748-53	2726-27
High/low		2715/2650
AM Official	2720-21	2695-96
Kerb close		2648-50
Open int.	188,805	
Total daily turnover	87,113	

■ LME AM Official £/$ rate: 1.5760
LME Closing £/$ rate: 1.5697

Spot: 1.5695 3 mths: 1.5662 6 mths: 1.5624 9 mths: 1.5582

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	121.20	-4.10	125.80	121.20	152	1,120
Nov	121.50	-3.05	124.50	121.30	23	1,361
Dec	121.10	-2.75	124.25	120.70	8,603	22,115
Jan	120.45	-2.70	122.50	120.30	4	563
Feb	119.70	-2.75	122.00	120.20	6	425
Mar	119.25	-2.60	122.25	118.90	633	5,361
Total					9,715	37,798

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	383.80-384.00		
Opening	383.70-384.10		
Morning fix	383.75	243.573	440.046
Afternoon fix	383.65	244.410	443.077
Day's High	383.90-384.30		
Day's Low	383.50-383.90		
Previous close	383.10-383.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.02	6 months	3.74
2 months	4.01	12 months	3.75
3 months	3.70		

Silver Fix	p/troy oz.	US cts equiv.
Spot	338.65	535.30
3 months	343.95	540.90
6 months	348.40	546.80
1 year	357.70	558.20

Gold Coins	$ price	£ equiv.
Krugerrand	383-386	243-245
Maple Leaf	394.40-396.90	
New Sovereign	88-91	56-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	383.8	-0.1	383.8	383.7	28	253
Dec	385.9	-0.1	386.3	385.7	14,065	98,011
Feb	388.0	-0.1	388.3	387.7	947	23,221
Apr	390.4	-0.1	390.5	390.4	601	10,288
Jun	393.0	-0.2	393.0	392.8	14	12,672
Aug	395.5	-0.2	-	-	42	2,870
Total					15,761	181,415

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	414.7	+0.9	-	-	37	487
Jan	413.7	+0.9	416.0	413.1	2,066	21,418
Apr	414.0	+0.7	-	-	174	1,557
Jul	415.2	+0.7	414.0	414.0	278	1,507
Oct	415.4	+0.7	-	-	110	126
Total					25,195	2,663

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	138.25	-0.50	139.50	138.25	95	5,282
Mar	139.85	-0.40	141.00	140.25	15	1,017
Jun	141.20	-0.30	-	-	-	75
Total					118	6,374

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	532.7	+0.8	-	-	30	69
Dec	536.5	+1.0	538.5	534.5	16,301	61,875
Jan	538.2	+1.0	-	-	8	26
Mar	543.2	+1.0	545.5	542.0	1,852	13,693
May	547.3	+1.0	-	-	14	6,883
Jul	551.2	+1.0	-	-	74	8,472
Total					18,310	103,036

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	17.64	-0.04	17.68	17.53	30,617	37,814
Dec	17.34	-0.04	17.39	17.24	33,130	89,511
Jan	17.20	-0.02	17.21	17.11	13,323	46,303
Feb	17.13	-0.02	17.13	17.06	5,285	21,571
Mar	17.08	-0.03	17.09	16.99	739	17,149
Apr	17.06	-0.01	17.06	16.99	280	13,242
Total					98,212	339,728

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	16.09	-0.02	16.10	15.99	14,144	73,907
Jan	15.97	-0.02	15.99	15.91	4,144	30,812
Feb	15.87	-0.05	15.88	15.84	2,096	10,950
Mar	15.77	-0.09	15.82	15.77	142	6,560
Apr	15.73	-0.01	15.73	15.73	-	3,418
May	15.72	-	-	-	50	1,925
Total					26,384	139,329

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	48.60	-0.22	48.80	48.20	7,788	35,937
Dec	49.10	-0.26	49.35	48.70	6,883	41,383
Jan	49.55	-0.26	49.85	49.25	3,787	35,237
Feb	49.45	-0.21	49.50	49.25	2,940	17,867
Mar	48.70	-0.06	48.75	48.50	1,014	6,690
Apr	47.70	-0.06	47.70	47.50	204	3,727
Total					22,573	157,177

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	147.50	-0.25	147.50	146.00	5,334	37,576
Dec	147.25	-1.50	147.50	147.00	4,195	22,285
Jan	148.00	-0.75	148.25	147.75	2,247	20,266
Feb	148.25	-0.50	148.50	148.25	641	6,061
Mar	148.25	+0.25	148.50	148.25	298	3,468
Apr	147.75	+0.25	148.00	147.75	29	1,400
Total					12,880	98,587

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	1.731	+0.010	1.745	1.710	11,412	19,900
Dec	1.800	-0.004	1.825	1.800	8,284	25,893
Jan	1.855	-0.006	1.875	1.855	4,288	24,097
Feb	1.805	-0.007	1.820	1.803	1,106	12,744
Mar	1.760	-0.005	1.770	1.760	1,190	9,120
Apr	1.700	-0.002	1.705	1.700	315	5,804
Total					26,928	137,423

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	50.15	-0.18	50.68	49.90	12,870	22,423
Dec	49.10	-0.22	49.50	48.85	5,873	19,395
Jan	49.20	-0.16	49.50	49.10	1,906	8,233
Feb	49.70	-0.16	49.80	49.70	164	3,335
Mar	50.30	-	-	-	254	1,989
Apr	52.85	-	52.85	52.85	140	3,046
Total					21,045	81,926

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	118.15	+0.70	118.50	117.75	158	1,155
Jan	120.60	+0.70	120.75	119.90	226	2,002
Mar	122.60	+0.70	122.75	121.80	112	1,344
May	124.60	+0.85	124.60	123.65	202	2,048
Jul	124.50	-	-	-	-	74
Sep	107.65	+0.90	107.25	107.25	10	6
Total					713	6,670

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	499.75	+8.25	501.00	490.50	15,069	60,556
Mar	506.50	+7.00	507.00	498.50	6,147	29,500
May	472.75	+5.25	473.00	466.00	519	3,411
Jul	429.25	+4.25	429.50	422.50	2,217	11,219
Sep	431.50	+5.50	431.50	424.50	361	1,054
Dec	439.00	+4.00	437.50	433.50	61	437
Total					24,375	106,186

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	325.75	+0.75	326.00	322.75	68,416	220,705
Mar	331.50	+1.00	331.75	328.75	27,953	161,947
May	331.75	+0.50	332.00	329.75	6,472	27,675
Jul	329.50	+1.25	330.00	327.00	8,891	44,734
Sep	296.00	-	296.00	294.75	483	6,135
Dec	278.25	-0.25	280.00	277.75	3,289	20,442
Total					115,590	481,765

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	108.30	+0.70	108.35	107.60	205	550
Jan	111.30	+0.65	111.50	111.15	146	705
Mar	114.10	+0.55	114.25	114.25	40	601
May	115.95	+0.70	-	-	-	161
Sep	104.00	-	-	-	-	-
Nov	107.00	-	-	-	-	-
Total					391	2,017

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	658.25	+3.75	656.75	650.00	31,185	72,353
Jan	666.50	+2.75	667.00	660.50	8,907	43,636
Mar	676.00	+3.25	676.50	670.50	5,286	22,121
May	681.75	+3.00	682.50	676.00	1,108	8,746
Jul	686.25	+3.00	686.75	680.50	1,426	10,235
Aug	684.50	+3.50	682.50	679.00	29	159
Total					49,012	168,550

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	26.52	+0.12	26.58	26.30	841	868
Dec	26.67	+0.18	26.72	26.43	11,590	37,225
Jan	26.80	+0.16	26.82	26.61	1,118	12,023
Mar	26.99	+0.12	27.06	26.84	1,755	9,909
May	27.15	+0.10	27.17	27.05	284	5,316
Jul	27.25	+0.09	27.33	27.18	165	3,236
Total					15,801	70,831

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	198.1	+0.7	198.2	196.3	1,057	1,104
Dec	201.6	+1.3	201.7	199.5	13,431	46,532
Jan	202.5	+1.1	202.6	200.7	3,261	14,934
Mar	203.7	+1.1	203.9	201.8	2,785	11,263
May	203.5	+1.0	203.7	202.0	673	5,257
Jul	204.8	+0.9	204.8	202.8	635	3,867
Total					21,861	84,449

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	184.0	-	-	-	-	3
Mar	280.0	-	-	-	-	-
Apr	268.0	-1.5	267.0	265.0	50	1,135
May	312.5	-	-	-	-	6
Jun	360.5	-	-	-	-	-
Total					58	1,144

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	1640	-15	1645	1645	61	587
Nov	1582	-18	1600	1570	88	537
Dec	1577	-8	1590	1570	68	178
Jan	1585	-19	1590	1560	207	1,094
Apr	1589	-11	1590	1560	86	1,040
Jul	1468	-10	1460	1450	36	196
Total					391	2,817

	Close	Prev
BFI	1695	1714

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
1994 crop prices from Kenkko Group: $ a tonne. Iranian pistachios 28/30 raw (in shell) naturally opened (round); 1994 crop sold out: new crop 3,450 CFR/FOT MEP; 26/28 3,550 (both available December). US almonds (shelled) 23/35 NPSSR new crop price at 6,800 FOB; slow but firm. US walnuts (shelled) light halves and pieces; '95 crop 5,700 FOB – very firm; main harvest nearly compete but quality and quantity below expectations. Indian cashews W320 (raw) 6,230 FOT Rotterdam in transit – quiet, with little forward buying. Turkish Hazelnut kernels 13/15 standard 1s; '95 crop at 3,250 C&F MEP – uncertain. Sunflower seeds '95 crop: Kansas 22/64 at 840 CIF MEP; N. Dakota 20/64 at 750; yield below expectations and shortages of the long type seem imminent.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	904	-10	915	903	1,314	23,526
Mar	935	-8	945	934	1,078	32,642
May	953	-5	960	951	260	15,185
Jul	970	-5	970	969	23	4,326
Sep	987	-7	993	986	458	20,964
Dec	1004	-7	1009	1004	149	5,961
Total					3,342	109,247

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1289	-6	1300	1286	3,917	25,614
Mar	1322	-5	1333	1320	2,245	21,233
May	1343	-7	1351	1341	217	8,866
Jul	1364	-9	-	-	36	3,470
Sep	1388	-5	1388	1388	20	6,202
Dec	1421	-	1424	1420	185	6,088
Total					6,800	71,473

■ COCOA (ICCO) (SDR's/tonne)

Oct 17	Price	Prev. day
Daily	937.45	928.79

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	2378	-33	2415	2350	1,263	8,675
Jan	2329	-39	2367	2299	1,663	10,379
Mar	2281	-26	2310	2252	537	5,499
May	2228	-17	2230	2189	136	2,644
Jul	2190	-8	-	-	-	435
Sep	2158	-7	-	-	-	266
Total					3,599	27,888

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	122.75	+0.55	125.95	120.50	8,054	15,055
Mar	122.15	+1.95	123.90	118.80	1,909	2,452
May	121.75	+2.70	122.75	119.25	98	506
Jul	122.00	+2.00	122.00	119.00	12	301
Sep	122.25	+2.30	-	-	1	64
Dec	122.75	+2.50	-	-	10	58
Total					10,084	28,044

■ COFFEE (ICO) (US cents/pound)

Oct 17	Price	Prev. day
Comp. daily	121.16	122.82
15 day average	118.33	117.96

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	13.25	-	-	-	-	-
Mar	10.90	-	-	-	-	-
May	11.95	-	-	-	-	-
Jul	11.95	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	346.8	+0.2	349.5	347.0	603	7,858
Mar	326.2	+1.9	328.5	324.0	605	12,658
May	321.7	+1.9	321.3	319.6	448	3,830
Aug	318.3	+1.5	318.0	317.0	40	2,046
Oct	288.0	+1.0	287.9	286.3	224	2,193
Dec	285.5	+1.1	284.0	284.0	9	710
Total					1,991	29,224

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.56	+0.04	10.58	10.43	5,995	67,238
May	10.49	+0.01	10.50	10.39	820	18,950
Jul	10.40	-0.01	10.48	10.36	248	12,790
Oct	10.36	-0.01	10.37	10.31	384	13,920
Mar	10.31	-0.01	10.30	10.28	364	6,738
Total					7,889	119,234

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	83.70	+2.00	83.70	82.40	10,287	27,356
Mar	83.99	+2.00	83.99	82.70	2,779	16,803
May	84.50	+1.92	84.50	83.35	960	7,564
Jul	84.35	+1.84	84.51	83.60	1,977	5,132
Oct	79.18	+1.23	79.35	78.50	25	1,404
Dec	76.05	+1.10	76.10	75.20	896	6,164
Total					16,769	65,449

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	117.45	+1.90	117.60	114.95	2,214	8,532
Jan	119.25	+1.75	119.50	116.70	2,795	9,815
Mar	121.55	+1.75	121.20	119.50	80	2,582
May	123.55	+1.75	123.00	122.00	90	1,295
Jul	125.55	+1.75	-	-	30	533
Sep	127.55	+1.75	126.00	126.00	-	313
Total					5,259	23,369

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 18	Oct 17	month ago	year ago
2088.5	2102.2	2110.2	2073.1

■ CRB Futures (Base: 1967=100)

Oct 17	Oct 16	month ago	year ago
240.46	242.26	-	-

■ GSCI Spot (Base: 1970=100)

Oct 16	Oct 13	month ago	year ago
180.85	181.01	184.47	174.07

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	65.775	-0.050	66.300	65.750	1,808	4,273
Dec	67.725	-	68.000	67.600	5,036	29,987
Feb	66.975	+0.025	67.225	66.875	1,097	15,021
Apr	67.100	-	67.275	67.050	657	8,511
Jun	63.075	+0.075	63.350	63.050	470	3,855
Aug	61.725	-	61.950	61.700	197	1,471
Total					9,863	63,304

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	46.600	-0.050	46.850	46.100	1,147	3,497
Dec	46.150	-	46.325	45.600	3,086	13,179
Feb	48.650	-	48.750	48.250	1,294	7,561
Apr	47.850	-0.200	48.000	47.350	183	2,893
Jun	52.900	-0.300	53.000	52.550	152	2,986
Jul	52.675	-0.125	52.800	52.325	76	1,352
Total					7,848	32,085

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	63.500	+0.200	63.800	62.800	1,842	5,886
Mar	63.325	+0.050	63.600	62.925	219	659
May	64.150	+0.150	64.250	63.600	90	190
Jul	64.975	+0.175	64.975	64.200	68	505
Aug	61.650	-0.550	62.000	61.650	4	42
Total					2,539	7,231

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Dec	Feb	Dec	Feb
1600	87	130	35	56
1650	59	103	57	78
1700	38	79	88	103
■ COPPER (Grade A) LME	Dec	Feb	Dec	Feb
2600	113	116	47	80
2650	85	92	68	104
2700	62	72	94	132
■ COFFEE LCE	Nov	Jan	Nov	Jan
1600	778	730	-	1
1650	728	681	-	2
1700	678	633	-	4
■ COCOA LCE	Dec	Mar	Dec	Mar
875	42	81	13	21
900	27	65	23	30
925	17	51	38	41
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1550	-	62	-	9
1600	-	30	-	22
1650	-	10	-	62

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)

		+or-
Dubai	$14.90-4.96z	-0.035
Brent Blend (dated)	$15.96-6.00	-0.085
Brent Blend (Dec)	$16.07-6.09	-0.030
W.T.I. (1pm est)	$17.32-7.33z	-0.015

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$172-173	-1
Gas Oil	$148-149	+2
Heavy Fuel Oil	$87-89	+0.5
Naphtha	$149-150	
Jet fuel	$172-178	+0.5
Diesel	$152-153	+1

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

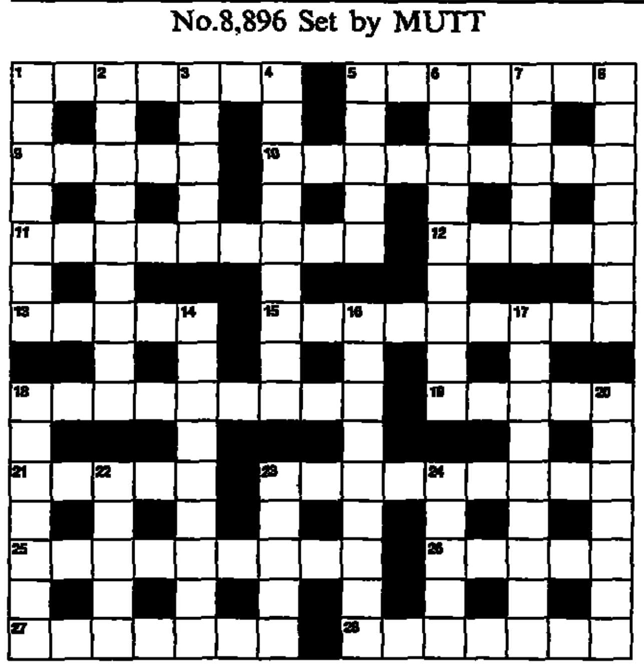
Gold (per troy oz)‡	$383.80	+0.50
Silver (per troy oz)‡	536.5c	+6.0
Platinum (per troy oz.)	$414.25	+2.10
Palladium (per troy oz.)	$137.50	
Copper (US prod.)	Unq.	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	15.67m	-0.02
Tin (New York)	292.5c	-2.0
Cattle (live weight)†	126.40p	+2.00*
Sheep (live weight)†♣	101.79p	+1.50*
Pigs (live weight)†	96.52p	-1.90*
Lon. day sugar (raw)	$302.5	-1.3
Lon. day sugar (wte)	$389.0	-2.7
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£104.0w	
Wheat (US Dark North)	Unq.	
Rubber (Nov)♥	98.25p	
Rubber (Dec)♥	98.25p	
Rubber (KL RSS No1)	383.5m	+5.5
Coconut Oil (Phil)§	$715.0u	-5.0
Palm Oil (Malay.)§	$630.0	-2.5
Copra (Phil)§	461.0y	
Soyabeans (US)	191.0	-1.0
Cotton Outlook'A' Index	89.00c	-1.00
Wooltops (64s Super)	447p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Nov/Dec.♥ w Nov. y Oct/Nov. x Oct/Dec London Physical. § CIF Rotterdam. ‡ Bullion market close. ♣ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

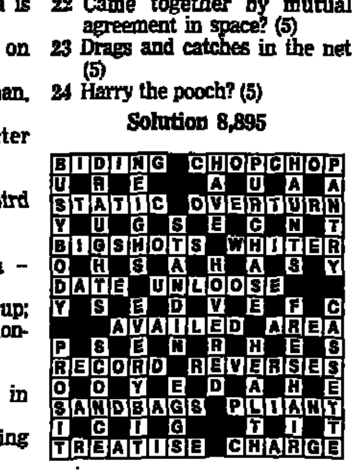
No.8,896 Set by MUTT



ACROSS
1 She's about four, been given lines and is trembling (7)
5 Royalty on walkabout (7)
9 Lotus position recommended for yobbos (5)
10 Look back, soldier, the church lies beyond those cars (9)
11 Girl is harkening to the recorders (9)
12 Quietly enthusiastic about being piebald (5)
13 Give last cry of pain (5)
15 Little boy takes soft Nan in easily (6,3)
18 Players who may perform in the gallery (9)
19 Vacuous as can be, my pet (5)
21 When a little manic Erica is more agreeable (5)
23 On which one may be on one's dignity (4,5)
25 Affected, a retired Welshman, offers a flower (9)
26 Hungry Greek character turns American agent (5)
27 Conflicts with lab test (7)
28 Concluded by getting bird detailed into the act (7)

DOWN
1 Sale outside the museum – string at a saving (7)
2 First of the month coming up; continue to drowse, old monster (9)
3 Support for the arts? (5)
4 County hero implicated in risky deal (9)
5 Bit of a muggins leading members' complaint (5)
6 New England writer settled in French resort with a bit of money (9)
7 Sort of sap to commit another offence (5)
8 Garden worker taking Fluff to the dance (7)
14 Beauty spot seen in a downpour (9)
16 Loud is the rising wind; no end of it in Wales (9)
17 What a lullaby should be: so quiet and the opening inconclusive (9)
18 I with Mac in ramshackle second taxi (4-3)
20 Having once been a producer, resigned (7)
22 Came together by mutual agreement in space? (5)
23 Drags and catches in the net (5)
24 Harry the pooch? (5)

Solution 8,895



INTERNATIONAL CAPITAL MARKETS

Treasuries down on news of fall in trade deficit

By Lisa Bransten in New York and Richard Lapper in London

US Treasury prices slipped in early trading yesterday as news that the trade deficit had narrowed to its lowest level of the year sparked fears that third-quarter growth might be greater than expected.

Near midday, the benchmark 30-year Treasury was ¼ lower at 107 12/32 to yield 6.302 per cent. At the short end of the maturity spectrum, the two-year note was unchanged at 100 5/32, to yield 5.645 per cent.

In August, the trade deficit narrowed to $8.8bn from $11.2bn in July, led mostly by a 3.7 per cent increase in exports. The median economic forecast had been for the deficit to hold steady at $11bn.

Bonds initially fell sharply in response to the trade figures but bounced off their lows later as traders watched for *news from Washington on the* budget debate.

Economic statistics are not expected to have a large impact on the market through the rest of the week because attention will be focused on fiscal policy until Congress completes a budget package.

The dollar offered some support to bonds, edging up against the D-Mark and yen in morning trading on the heels of the bullish trade data.

In early trading, the US currency was changing hands at DM1.4215 and Y100.58 compared with DM1.4150 and Y100.45 late on Tuesday.

■ The US dollar's strength helped high-yielding European markets outperform Germany yesterday, in spite of continuing political uncertainty in a *number of countries.*

In Italy, the debate on a no-confidence motion in Mr Filippo Mancuso, the justice minister, went ahead as planned. Nevertheless, bolstered by the strength of the lira against the D-Mark, Italian 10-year bonds outperformed German bonds, their 10-year yield spread over bunds narrowing by seven basis points to 531 points.

GOVERNMENT BONDS

Mr Ifty Islam, fixed-income strategist at Merrill Lynch, said some investors had switched out of Spain into Italy, causing the yield spread between those two countries' 10-year bonds to narrow from 105 basis points to 101 points.

Sweden, however, was the best performer, with the yield on its benchmark 10-year bond falling by 20 basis points and the yield spread over Germany narrowing by 17 basis points to 270 points.

Despite earlier weakness of the French franc, France also showed some modest out-performance, with the yield spread of the 10-year OAT over the bund narrowing by three basis points to 97 points.

On Liffe, Italy's BTP December futures contract gained 0.54 to settle at 102.17, while floor trading on Matif ended with the December 10-year OAT future standing at 115.44, up 0.34.

■ In the UK, new economic data published yesterday seemed to have had mixed implications for the gilts market.

However, traders paid more attention to figures showing flat retail sales for September than a bigger than expected fall in unemployment.

The markets had expected a strong rise in retail sales but data showing a year on year fall of 0.4 per cent helped dampen inflationary fears.

The result was some steepening in the yield curve, with yields on the benchmark 8¾ per cent due 1997 falling by 11 basis points, compared with a fall of five basis points in the 10-year area.

On Liffe, the December long gilt contract gained ground steadily and closed at 105 28/32, a rise of ¾, while the short sterling contract settled at 93.30, a rise of 0.05.

■ Germany's auction of 10-year bonds was smaller than expected and the reduced supply and short-covering by traders helped to buoy prices. The *Bundesbank allotted* DM4.4bn in 6.5 per cent 10-year bonds at an average accepted price of 99.98. It retained DM4.6bn on its book. Taking into account the DM3bn in bonds allotted to the bank *consortium on* Tuesday, a total of DM12bn bonds were issued.

On Liffe the 10-year future closed at 96.10, up 0.26. Despite under-performing European bonds, bunds outperformed Treasuries, with the the 10-year yield spread narrowing by 4 basis points to 46 points.

South Wales Electricity makes £150m 25-year debut

By Conner Middelmann

An active day in the eurobond market saw a slew of dollar deals, D-Mark issues and another long-dated sterling issue by a regional electricity *company (REC).*

South Wales Electricity made its eurobond debut with £150m of 25-year bonds, priced to yield 80 basis points over the corresponding gilt. According to lead manager UBS, the issue met strong demand, mainly from UK life companies and pension funds, and was fully placed.

Outstanding bonds of other RECs have been troubled in recent months, with takeover activity and credit rating warnings or downgrades in the industry causing yield spreads to widen sharply.

However, the sector has recently begun to calm down, and although spreads have not contracted significantly, investors are making a cautious return.

In the US dollar sector, the Public Power Corporation of Greece made a successful *debut with $150m of five-year* bonds priced to yield 145 basis points over the new five-year Treasury. Lead manager SBC Warburg reported heavy demand from the US and said *the issue was fully placed,* spread evenly over Asia, Europe and the US.

INTERNATIONAL BONDS

Elsewhere, Deutsche Bank's Curaçao subsidiary issued £200m of three-year bonds, priced aggressively to yield four basis points below the new three-year Treasury.

The unavailability of high-quality, short-dated, current-coupon dollar paper compen*sated for the tight pricing,* dealers said. Indeed, outstanding three-year bonds for Swiss Bank Corporation and GECC are yielding some 14 basis points below Treasuries, with *prices well above* par.

According to lead manager Deutsche Morgan Grenfell, the bulk of the deal was placed yesterday, mostly among German and Swiss retail accounts.

Merrill Lynch issued $300m of five-year bonds and saw a good response from investors attracted by their 50 basis *point spread over Treasuries.*

"There's a lot of demand for high-yield product that's not from emerging markets," said one syndicate manager.

In the D-Mark sector, two triple-A rated borrowers tapped the five-year sector: **Rabobank Nederland** with DM500m of bonds yielding 30 basis points over bunds, and **Crédit Local de France** with DM300m of bonds at 40 basis points over bunds.

Some said the Crédit Local bonds, paying an extra 10 basis points in yield, made life difficult for the Rabobank issue, causing the latter's yield spread to widen out sharply.

However, according to one of the managers of the Dutch bank's issue, the spread only widened to 33 basis points. Moreover, he said, the superior performance of previous Rabobank issues and its infrequent appearances, compared with frequent borrower Crédit Local, justified its lower yield.

Elsewhere, the African Development Bank launched *its long-awaited DM300m* seven-year offering at 20 basis points over bunds, a level that attracted strong interest, especially from Far Eastern investors, and **Deutsche Ausgleichsbank**, the government-owned credit institute, issued DM500m of seven-year bonds yielding 17 basis points over bunds.

● Standard & Poor's, the international rating agency, has affirmed its B+ long-term foreign currency debt rating of the **Republic of Turkey** and revised its outlook to stable from positive. The revision reflects uncertainty as to the course of the country's economic policy following recent political instability.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Public Power House	150	(a)	(a)	Nov.2000	0.875	-	SBC Warburg
Merrill Lynch & Co	200	6.25	99.455R	Nov.2000	0.30R	-50 (WI 5yr)	Merrill Lynch Intl.
Deutsche Bank Fin. Curacao	200	5.70	99.88R	Oct.1998	0.152R	-4 (WI 3yr)	Deutsche Morgan Grenfell
Menta Bank†	100	(b)	99.95	Dec.2005	0.50	-	Lehman Brothers
D-MARKS							
African Development Bank	300	6.375	99.566R	Oct.2002	0.30R	-	Dresdner Bank AG
Credit Local de France	300	5.75	99.82R	Nov.2000	0.25R	-	SBC Warburg
Deutsche Ausgleichsbank	500	6.375	99.74R	Nov.2002	0.30R	+17 (7¼% 02)	Deutsche Bk, Lehman B.
Rabobank Nederland	500	5.625	99.615R	Nov.2000	0.25R	-	Goldman Sachs
GUILDERS							
Nederlandse Watershapsbank	300	6.625	99.30R	Jan. 2005	0.325R	+12 (7¼-05)	ABN-Amro Hoare Govett
DANISH KRONER							
KfW Intl. Fin.	400	7.50	101.675	Oct.2002	1.875	-	Kreditbank
STERLING							
South Wales Electricty	150	9.25	99.23R	Nov.2020	0.625R	+80 (8¾%-17)	UBS
RAND							
J.P. Morgan and Co	250	14.5	100R	Nov.1997	0.30R	-	J.P. Morgan Secs.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. † Floating-rate note. R: Fixed re-offer price; fees shown at re-offer level. a) To be priced. b) Pays 3-month Libor +35bp. Callable at par after 5yrs which margin steps up to 110bp

Gucci share offer to be increased

By Alice Rawsthorn

The flotation of Gucci, the Italian fashion house, is to be increased by 8.5m shares to a total of 24.5m shares because of heavy demand.

Gucci, which is owned by Investcorp, the Bahrain-based investment group that also owns Saks Fifth Avenue, the US stores chain, has become one of the hottest luxury labels of the mid-1990s under its Texan designer, Mr Tom Ford.

The company's flotation in New York and Amsterdam marks the culmination of its *recovery from losses* in the early 1990s.

The Gucci issue, soon to be followed by that of Estée Lauder, the US cosmetics company, has been billed as a symbol of the *revival* in *the global* luxury goods market.

Investcorp, which first invested in Gucci in 1987 and acquired full control in 1993, originally planned to float 16m shares, representing 30 per cent of the equity, at between $19 and $22 a share.

However, heavy demand has prompted Investcorp to sell another 8.5m shares and to give the underwriters an option to acquire up to 3.67m more shares, thereby releasing a maximum of 49 per cent of the common shares.

The Gucci offer closes on Friday and the price is expected to be announced on Monday. Trading should start in New York and Amsterdam on Tuesday. Morgan Stanley is global co-ordinator of the issue.

Analysts expect the shares to be priced at the upper *end of* the $19 to $22 indicated range.

Investcorp plans eventually to quote Gucci on the Milan stock market as well as in New York and Amsterdam.

Analysts expect Investcorp to release more shares in Gucci over the next few years. It adopted a similar strategy in the late 1980s when it divested its interest in Tiffany, the New York jeweller.

Egit expects profits this year despite BVS dispute

By Judy Dempsey in Berlin

East German Investment Trust *(Egit), the London-based public* investment trust which has bought more than a dozen eastern Germany companies since 1991, expects to climb into profits this year in spite of continuing problems with the BVS, successor to the Treuhand privatisation agency.

Total investments for the year ending last March amounted to DM119m compared with DM106.7m for the previous 15 months, when the first full balance sheets were opened for Egit's 18 unlisted companies.

Net current liabilities increased from DM6.7m to DM7.4m and net losses rose from DM2.7m to DM5.3m. The net value was DM1.99 a share, down 23.5 per cent.

Mr Olaf Ermgassen, an Egit director, said about 10 of the companies have already reported profits for the first half of this year.

Egit, which has investment funds totalling DM160m for east Germany, says the Treuhand failed to comply with aspects of the privatisation contracts which caused the withholding of, or long delays in, the release of property rights or disbursements to the privatised companies.

The BVS yesterday denied all these allegations, adding that any contracts and negotiations with Egit had been fair and proper.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	94.3900	-0.320	8.35	8.60	8.75
Austria		6.875	06/05	99.3000	+0.190	6.97	6.99	6.91
Belgium		6.500	03/05	96.2700	+0.240	7.05	7.16	7.04
Canada *		8.750	12/05	107.9500	-0.250	7.61	7.70	8.07
Denmark		7.000	12/04	94.5400	+0.120	7.85	7.96	7.88
France	BTAN	7.750	04/00	103.6250	+0.355	6.86	6.87	6.56
	OAT	7.750	10/05	101.6500	+0.380	7.51	7.55	7.34
Germany Bund		6.875	05/05	102.3900	+0.300	6.52	6.60	6.62
Ireland		6.250	10/04	87.8500	+0.100	8.21	8.26	8.17
Italy		10.500	04/05	94.2900	+0.500	11.50†	11.54	11.22
Japan	No 129	6.400	03/00	120.1010	-0.160	1.53	1.60	1.93
	No 174	4.600	09/04	112.8690	-0.730	2.80	2.78	3.01
Netherlands		7.000	06/05	102.9200	+0.340	6.57	6.68	6.62
Portugal		11.875	02/05	103.5100	-0.090	11.22	11.29	11.20
Spain		10.000	02/05	95.1000	+0.350	10.82	10.98	10.75
Sweden		6.000	02/05	80.4150	+1.048	9.22	9.43	9.72
UK Gilts		9.000	12/00	101-27	+10/32	7.55	7.63	7.44
		8.500	12/05	102-22	+10/32	8.10	8.16	7.90
		9.000	10/08	106-08	+11/32	8.21	8.26	7.99
US Treasury *		6.500	08/05	103-28	-3/32	5.97	6.11	6.23
		6.875	08/25	107-16	-1/32	6.31	6.44	6.60
ECU (French Govt)		7.500	04/05	98.3400	+0.260	7.74	7.80	7.56

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¾	One month	5.33	Two year	5.66
Broker loan rate	7½	Two month	5.42	Three year	5.71
Fed.funds	5 11/16	Three month	5.42	Five year	5.81
Fed.funds at intervention	-	Six month	5.55	10-year	5.97
		One year	5.58	30-year	6.31

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	114.96	115.44	+0.32	115.58	114.96	141,600	96,956
Mar	114.52	114.92	+0.44	115.06	114.52	357	4,875
Jun	114.60	115.04	+0.34	114.60	114.60	2	1,544

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
114	-	1.79	-	0.06	0.39	-
115	0.67	1.14	-	0.22	0.68	-
116	0.16	0.62	-	0.76	1.14	-
117	0.02	0.26	0.67	-	-	-
118	-	0.10	0.40	-	-	-

Est. vol. total, Calls 13,772 Puts 22,191. Previous day's open int., Calls 141,889 Puts 160,069.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.90	96.10	+0.26	96.18	95.78	192432	188040
Mar	95.36	95.50	+0.26	95.45	95.30	249	5073

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
9600	0.28	0.68	0.60	0.84	0.18	0.58	1.10	1.44
9650	0.09	0.44	0.42	0.74	0.49	0.84	1.42	1.74
9700	0.02	0.27	0.26	0.57	0.92	1.17	1.78	2.07

Est. vol. total, Calls 16215 Puts 15182. Previous day's open int., Calls 215191 Puts 176712

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	101.68	102.17	+0.54	102.23	101.45	38178	43846
Mar	101.28	101.81	+0.54	101.28	101.28	50	695

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
10200	1.26	2.20	1.09	2.39
10250	1.01	1.97	1.34	2.66
10300	0.79	1.76	1.62	2.95

Est. vol. total, Calls 2087 Puts 617. Previous day's open int., Calls 39024 Puts 41107

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	88.65	89.10	+0.38	89.30	88.65	47,601	34,362
Mar	-	88.68	-	-	-	-	9

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	105-07	105-19	+0-12	105-23	105-01	74810	99081
Mar	104-18	105-01	+0-12	104-18	104-18	18	335

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
105	0-54	1-26	1-27	2-00	0-16	0-52	1-25	1-62
106	0-21	0-56	0-62	1-34	0-47	1-18	1-60	2-32
107	0-04	0-32	0-40	1-10	1-30	1-58	2-38	3-08

Est. vol. total, Calls 3379 Puts 1538. Previous day's open int., Calls 37422 Puts 32575

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	86.44	86.62	+0.34	86.76	86.44	2,058	9,282

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	117-13	117-05	-0-07	117-17	116-26	419,763	377,954
Mar	117-00	116-26	-0-08	117-00	116-17	2,621	18,441
Jun	116-17	116-11	-0-02	116-18	116-03	25	3,906

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	120.35	-	-	120.45	120.25	3369	0
Mar	119.29	-	-	119.29	119.25	119	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Oct 18	Day's change %	Tue Oct 17	Accrued interest	xd adj. ytd		Low coupon yield Oct 18	Oct 17	Yr. ago	Medium coupon yield Oct 18	Oct 17	Yr. ago	High coupon yield Oct 18	Oct 17	Yr. ago
1 Up to 5 years (23)	120.62	+0.15	120.44	0.97	8.72	5 yrs	7.63	7.68	8.53	7.82	7.88	8.60	7.71	7.77	8.74
2 5-15 years (21)	144.60	+0.24	144.25	1.99	9.99	15 yrs	8.23	8.26	8.51	8.27	8.30	8.64	8.35	8.37	8.67
3 Over 15 years (9)	160.14	+0.32	159.62	3.00	9.84	20 yrs	8.28	8.30	8.47	8.31	8.34	8.64	8.37	8.39	8.76
4 Irredeemables (6)	182.99	+0.03	182.84	4.15	8.83	Irred.†	8.36	8.37	8.55						
5 All stocks (59)	140.20	+0.23	139.88	1.81	9.96										

Index-linked	Wed Oct 18	Day's change %	Tue Oct 17	Accrued interest	xd adj. ytd		Inflation 5% Oct 18	Oct 17	Yr. ago	Inflation 10% Oct 18	Oct 17	Yr. ago
6 Up to 5 years (1)	192.82	-0.07	192.68	-0.19	8.37	Up to 5 yrs	3.23	3.25	3.84	2.05	2.07	2.64
7 Over 5 years (11)	184.37	+0.40	183.63	0.65	4.45	Over 5 yrs	3.71	3.74	3.85	3.50	3.53	3.65
8 All stocks (12)	184.43	+0.39	183.71	0.63	4.54							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Oct 18	Oct 17	Oct 16	Oct 13	Oct 12	Yr ago	High*	Low*
Govt. Secs. (UK)	92.83	92.82	92.83	92.99	92.60	91.60	95.51	90.22
Fixed interest	111.09	111.16	111.27	111.01	110.90	108.55	114.66	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 17	Oct 16	Oct 13	Oct 12	Oct 11
Gilt Edged bargains	96.6	88.3	87.2	80.9	80.8
5-day average	86.8	85.3	82.4	81.9	80.1

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 18

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	98¾	99	-⅛	6.02
Abbey Natl Treasury 6½ 03	1000	100	100¼		6.49
ABN Ambro Bank 7¼ 05	1000	104½	104¾	+⅛	6.72
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Sweden 8 97	2500	105⅝	105¾	+⅛	4.68
United Kingdom 7¼ 97	5500	104⅞	105		4.55
Volkswagen Intl Fin 7 03	1000	101¼	101½		6.77
World Bank 0 15	2000	26	26¼		6.91
[illegible]					

	Issued	Bid	Offer	Chg.	Yield
Abbey Natl Treasury 8 03 £	1000	97¼	97½	+¼	8.50
Alliance Leics 11⅜ 97 £	100	105⅝	106⅛	+¼	7.16
British Land 8⅞ 23 £	150	90¾	91⅛	+½	10.09
Denmark 6¾ 98 £	800	[illegible]	[illegible]	[illegible]	7.48
[illegible]					

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Fall in US trade deficit lifts dollar

By Graham Bowley

The dollar rallied sharply on the foreign exchanges yesterday after official figures showed a surprise fall in the US trade deficit in August.

The dollar's rally brought relief to many European currencies. They were under early pressure against the D-Mark after the Bundesbank left the repo rate unchanged, but they managed to push higher on the back of the dollar's rise to finish ahead against the German currency.

The French franc was one of the main beneficiaries of the dollar's advance. It languished at low levels in early trading on continued worries over French economic policy and corruption allegations surrounding government officials before recovering in line with the dollar to push ahead against the D-Mark.

The Swedish krona was one of the strongest performers amid reports that the Swedish central bank was intervening to support the currency against the D-Mark. Concerns over government corruption allegations also abated.

In the UK, a mixed set of economic figures showing a large fall in unemployment but subdued retail sales growth caused a small rally in the short-sterling market but failed to have a large impact on sterling's position on the foreign exchanges.

Sterling lost ground against the dollar, closing at $1.5697 from $1.5738. But it finished ahead against the D-mark at DM2.2344 from DM2.2296.

■ Pound in New York

Oct 18	-- Latest --	-- Prev. close --
£ spot	1.5700	1.5733
1 mth	1.5689	1.5721
3 mth	1.5667	1.5698
1 yr	1.5554	1.5571

■ The dollar showed early signs of weakness ahead of the trade data after a disappointing overnight performance in Tokyo, sinking lower against the D-Mark and to a low of around Y99.50 against the Japanese yen.

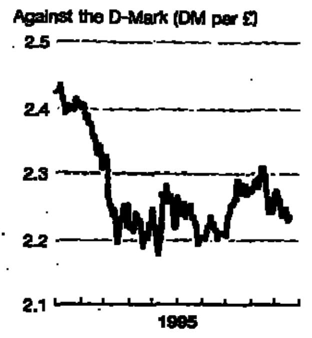
This was despite figures released in Japan which showed a continued decline in the dollar-denominated trade surplus. The data however showed a slowdown in import growth - which did not bode well for further imporvements in the trade surplus and which could therefore explain the dollar's poor reaction to the data, according to Mr Ian Harwood, international economist at Kleinwort Benson in London.

But the US figures - which showed that the US trade gap fell to $8.82bn in August from $11.5bn in July and against a market expectation of around $11bn – pushed the dollar sharply ahead to highs of DM1.4271 and Y101.0 against the D-Mark and yen respectively.

The dollar retreated slightly in later trading as its upward momentum quickly faded. It nevertheless held on to most of the day's gains to finish at DM1.4235 from DM1.4168 against the D-Mark. Against the yen, it closed at Y100.75 from Y100.36.

Sterling

Against the D-Mark (DM per £)



Source: FT Extel

Analysts however remained doubtful of whether further advances could be made. Mr Tony Norfield, treasury economist at ABN Amro in London, said: "The dollar looked very weak in the morning. The data pushed it back from the brink, but it is still close to the edge."

■ The German Bundesbank allocated securities repurchase funds at this week's tender at a lowest rate of 4.03 per cent, unchanged from last week.

This calmed speculation that the German central bank might decide to lower German short-term interest rates when it meets today and helped strengthen the German currency in early trading.

But the dollar's rise pushed the D-Mark back and it closed lower against most other European currencies. The lira finished at L1,127 against the D-Mark, from L1,129.

The franc closed in London at FFr3.506 from FFr3.508, against the D-Mark.

Mr Harwood at Kleinwort Benson said that as well as allegations of official corruption, signs of slower economic growth have undermined the franc in recent sessions.

He said that France is faced with a policy conundrum: "Growth is slowing but it is unable to cut interest rates while the franc is weak, which means the currency is likely to remain in the spotlight."

The Swedish krona had a particularly strong day, closing at SKr4.816, from SKr4.881.

The Finnish markka performed poorly, particularly against the Swedish krona, on the perception that it is currently too high to participate in a single European currency, dealers said.

■ The Bank of England provided £663m assistance towards clearing a forecast shortage of £650m in its daily money market operations.

■ OTHER CURRENCIES

Oct 18	£	$
Czech Rp	41.3249 - 41.3569	26.3350 - 26.3450
Hungary	206.162 - 206.371	131.380 - 131.430
Iran	4710.50 - 4707.60	3000.00 - 3000.00
Kuwait	0.4703 - 0.4714	0.2997 - 0.3002
Poland	3.8485 - 3.8541	2.4525 - 2.4545
Russia	7083.17 - 7083.37	4511.00 - 4514.00
U.A.E.	5.7627 - 5.7669	3.6724 - 3.6727

POUND SPOT FORWARD AGAINST THE POUND

Oct 18		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7240	+0.0369	146 - 334	15.7466	15.6260	15.6936	2.3	15.635	2.3	-	-	107.1
Belgium	(BFr)	45.9756	+0.086	305 - 226	46.0230	45.6930	45.8816	2.5	45.6916	2.5	44.9566	2.2	108.7
Denmark	(DKr)	8.6754	+0.0168	706 - 801	8.6856	8.6193	8.6677	1.1	8.6512	1.1	8.5887	1.0	110.1
Finland	(FM)	6.7330	-0.0228	264 - 395	6.7720	6.7140	6.7286	0.8	6.7205	0.7	-	-	88.1
France	(FFr)	7.8321	+0.0126	280 - 361	7.8426	7.8010	7.839	-1.1	7.8445	-0.6	7.8392	-0.1	108.7
Germany	(DM)	2.2344	+0.0048	331 - 357	2.2389	2.2180	2.2292	2.8	2.2199	2.6	2.1789	2.5	112.4
Greece	(Dr)	356.588	+0.25	393 - 783	368.949	364.846	-	-	-	-	-	-	67.4
Ireland	(I£)	0.9781	-0.001	772 - 790	0.9809	0.9767	0.9773	1.0	0.976	0.9	0.9728	0.5	97.4
Italy	(L)	2517.72	+0.27	574 - 970	2524.01	2508.80	2524.97	-3.5	2538.87	-3.5	2608.02	-3.6	70.2
Luxembourg	(LFr)	45.9766	+0.086	305 - 226	46.0230	45.6930	45.8816	2.5	45.6916	2.5	44.9566	2.2	109.7
Netherlands	(Fl)	2.5021	+0.0049	008 - 034	2.5120	2.4828	2.4956	3.1	2.4847	2.8	2.4385	2.5	109.7
Norway	(NKr)	9.8263	+0.0084	208 - 318	9.8700	9.7515	9.8139	1.5	9.792	1.4	9.7165	1.1	98.5
Portugal	(Es)	235.424	+0.668	270 - 577	235.852	230.843	235.984	-2.8	237.184	-3.0	-	-	95.4
Spain	(Pta)	193.160	+0.21	059 - 260	193.537	192.233	193.66	-3.1	194.6	-3.0	199	-3.0	81.2
Sweden	(SKr)	10.7555	-0.122	448 - 661	10.8670	10.7155	10.7577	-0.2	10.7622	-0.3	10.7856	-0.3	83.9
Switzerland	(SFr)	1.8146	+0.0078	132 - 159	1.8198	1.8017	1.8075	4.7	1.7956	4.2	1.7427	4.0	115.7
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.2
Ecu	-	1.2147	-0.0003	140 - 153	1.2181	1.2102	1.2136	1.1	1.2113	1.1	1.202	1.0	-
SDR†	-	1.05157	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5695	-0.004	689 - 700	1.5798	1.5670	-	-	-	-	-	-	-
Brazil	(R$)	1.5045	-0.0036	039 - 050	1.5136	1.5018	-	-	-	-	-	-	-
Canada	(C$)	2.1008	-0.0059	997 - 019	2.1140	2.0985	2.0999	0.5	2.0987	0.2	2.1048	-0.2	85.4
Mexico	(New Peso)	10.5751	-0.0477	639 - 863	10.6492	10.5609	-	-	-	-	-	-	-
USA	($)	1.5697	-0.0041	692 - 702	1.5800	1.5670	1.5686	0.8	1.5663	0.9	1.5534	1.0	92.9
Pacific/Middle East/Africa													
Australia	(A$)	2.0806	+0.0015	792 - 819	2.0819	2.0792	2.0819	-0.7	2.0848	-0.8	2.0995	-0.9	88.4
Hong Kong	(HK$)	12.1358	-0.0312	312 - 405	12.2158	12.1165	12.1324	0.3	12.1199	0.5	12.0883	0.4	-
India	(Rs)	54.7590	+0.0318	023 - 157	55.0710	54.1480	-	-	-	-	-	-	-
Israel	(Shk)	4.6962	-0.013	914 - 010	4.7236	4.6890	-	-	-	-	-	-	-
Japan	(Y)	158.147	+0.205	034 - 261	158.460	156.610	157.232	6.9	155.622	6.4	148.897	6.0	142.8
Malaysia	(M$)	3.9640	-0.0065	619 - 660	3.9840	3.9587	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3865	-0.0047	844 - 885	2.3885	2.3824	2.3924	-3.0	2.4017	-2.5	2.4273	-1.7	101.1
Philippines	(Peso)	40.7259	-0.0815	894 - 624	40.7723	40.6793	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8872	-0.0153	851 - 892	5.9255	5.8773	-	-	-	-	-	-	-
Singapore	(S$)	2.2373	-0.0053	358 - 388	2.2420	2.2341	-	-	-	-	-	-	-
South Africa	(R)	5.7317	-0.0173	287 - 347	5.7631	5.7255	-	-	-	-	-	-	-
South Korea	(Won)	1203.25	-4.37	279 - 372	1211.23	1201.26	-	-	-	-	-	-	-
Taiwan	(T$)	42.3081	-0.1187	915 - 247	42.5810	42.2385	-	-	-	-	-	-	-
Thailand	(Bt)	39.3995	-0.1017	791 - 199	39.6010	39.3320	-	-	-	-	-	-	-

† Rates for Oct 17. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 18		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.0172	+0.0482	144 - 200	10.0450	9.9175	10.0021	1.8	9.972	1.8	9.8627	1.5	107.1
Belgium	(BFr)	29.2900	+0.13	700 - 100	29.3400	28.9800	29.249	1.7	29.17	1.6	28.87	1.4	109.3
Denmark	(DKr)	5.5268	+0.0249	255 - 280	5.5375	5.4658	5.5275	-0.2	5.5233	0.3	5.5328	-0.1	109.5
Finland	(FM)	4.2893	-0.0035	865 - 921	4.3135	4.2530	4.2889	0.1	4.2878	0.1	4.2833	0.1	87.1
France	(FFr)	4.9895	+0.0208	885 - 905	5.0025	4.9488	4.998	-2.0	5.008	-1.5	5.0295	-0.8	108.4
Germany	(DM)	1.4235	+0.0067	231 - 238	1.4271	1.4038	1.4213	1.9	1.4169	1.8	1.3984	1.8	111.7
Greece	(Dr)	233.540	+0.76	490 - 590	234.690	231.360	235.265	-8.9	238.465	-8.4	251.94	-7.9	66.8
Ireland	(I£)	1.6048	-0.0025	038 - 058	1.6125	1.5990	1.605	-0.1	1.6051	-0.1	1.6116	-0.4	-
Italy	(L)	1603.95	+4.3	320 - 470	1607.00	1591.20	1610.7	-5.1	1622.75	-4.7	1679.95	-4.7	69.8
Luxembourg	(LFr)	29.2900	+0.13	700 - 100	29.3400	28.9800	29.249	1.7	29.17	1.6	28.87	1.4	109.3
Netherlands	(Fl)	1.5940	+0.0072	937 - 943	1.5987	1.5722	1.5914	2.0	1.5863	1.9	1.5663	1.7	109.2
Norway	(NKr)	6.2600	+0.0215	585 - 615	6.2825	6.1909	6.2562	0.7	6.25	0.6	6.24	0.3	98.8
Portugal	(Es)	149.980	+0.81	930 - 030	150.220	146.940	150.445	-3.7	151.455	-3.9	156.08	-4.1	95.6
Spain	(Pta)	123.055	+0.45	030 - 080	123.390	122.000	123.435	-3.7	124.205	-3.7	127.7	-3.8	81.1
Sweden	(SKr)	6.8519	-0.0599	473 - 565	6.9190	6.8308	6.8693	-3.1	6.9059	-3.2	7.0744	-3.2	82.3
Switzerland	(SFr)	1.1560	+0.0079	555 - 565	1.1597	1.1400	1.1524	3.7	1.1463	3.4	1.1185	3.2	115.4
UK	(£)	1.5697	-0.0041	692 - 702	1.5800	1.5670	1.5686	0.8	1.5663	0.9	1.5534	1.0	83.6
Ecu	-	1.2923	-0.003	920 - 926	1.3017	1.2864	1.2927	-0.4	1.2934	-0.3	1.2957	-0.3	-
SDR†	-	0.66881	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	1.0000	0.9997	-	-	-	-	-	-	-
Brazil	(R$)	0.9585	+0.0002	584 - 585	0.9585	0.9584	-	-	-	-	-	-	-
Canada	(C$)	1.3384	-0.0003	381 - 386	1.3415	1.3377	1.3389	-0.4	1.3402	-0.5	1.3504	-0.9	84.3
Mexico	(New Peso)	6.7370	-0.013	320 - 420	6.7450	6.7310	6.7393	-0.4	6.7424	-0.3	6.7473	-0.2	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.6
Pacific/Middle East/Africa													
Australia	(A$)	1.3254	+0.0044	250 - 259	1.3269	1.3177	1.3272	-1.6	1.3308	-1.6	1.3505	-1.9	87.4
Hong Kong	(HK$)	7.7313	-	308 - 318	7.7316	7.7305	7.7329	-0.2	7.7348	-0.2	7.755	-0.3	-
India	(Rs)	34.8850	+0.11	600 - 100	34.9700	34.4000	35.035	-5.2	35.34	-5.2	36.81	-5.5	-
Israel	(Shk)	2.9918	-0.0005	897 - 939	2.9970	2.9847	-	-	-	-	-	-	-
Japan	(Y)	100.750	+0.39	710 - 790	101.000	99.5000	100.255	5.9	99.335	5.6	95.46	5.3	143.5
Malaysia	(M$)	2.5253	+0.0023	248 - 258	2.5260	2.5188	2.5253	0.0	2.5257	-0.1	2.5333	-0.3	-
New Zealand	(NZ$)	1.5202	+0.0009	195 - 211	1.5218	1.5117	1.5243	-3.2	1.5318	-3.1	1.5565	-2.4	-
Philippines	(Peso)	25.9450	+0.015	300 - 600	25.9600	25.9300	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	504 - 506	3.7506	3.7503	3.7511	-0.2	3.7519	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4253	+0.0003	248 - 258	1.4260	1.4190	1.4219	2.9	1.4156	2.7	1.3908	2.4	-
South Africa	(R)	3.6515	-0.0016	507 - 522	3.6530	3.6490	3.6768	-8.3	3.7268	-8.3	3.958	-8.4	-
South Korea	(Won)	766.550	-0.8	500 - 600	767.100	766.400	769.55	-4.7	773.05	-3.4	791.55	-3.3	-
Taiwan	(T$)	26.8530	-0.006	510 - 550	26.9680	26.8550	26.973	-0.9	27.013	-0.9	-	-	-
Thailand	(Bt)	25.1000	-	950 - 050	25.1060	25.0670	25.1875	-4.2	24.835	4.2	26.055	-3.8	-

† SDR rate per $ for Oct 17. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 17. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

October 18	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.00	3.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	4½	8.00	3.50	-
France	[illegible]	6¾	[illegible]	[illegible]	6½	5.00	-	7.00
week ago	6¾	6¾	7¾	[illegible]	8½	5.00	-	7.25
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.50	3.50	4.03
week ago	[illegible]	[illegible]	4	4	4	5.50	3.50	4.03
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.38
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.36
Netherlands	[illegible]	[illegible]	[illegible]	4	[illegible]	-	3.50	3.80
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.50	3.80
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	2.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	2.00	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.25	-
Japan	½	[illegible]	[illegible]	[illegible]	½	-	0.50	-
week ago	[illegible]	[illegible]	½	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.61	5.61	5.61	5.61	-	-	-
week ago	-	5.61	5.60	5.60	5.65	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 18	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 3/16 - 4 1/16	4 3/16 - 4 1/16	4¼ - 4⅛	4 5/16 - 4 3/16	4 7/16 - 4 5/16	4½ - 4⅜
Danish Krone	6½ - 6¼	5½ - 5¼	5⅝ - 5 7/16	5¾ - 5⅝	5⅞ - 5⅝	5 13/16 - 5 11/16
D-Mark	4⅛ - 4	4 3/16 - 4 1/16	4⅛ - 4	4⅛ - 4	4⅛ - 4	4⅛ - 4
Dutch Guilder	3 15/16 - 3 13/16	3 15/16 - 3 13/16	3 31/32 - 3⅞	4 1/32 - 3 15/16	4 1/32 - 3 15/16	4⅛ - 4 1/16
French Franc	6¼ - 5⅞	7⅛ - 6⅝	7 1/16 - 6 15/16	7 1/16 - 6 15/16	7 1/16 - 6 15/16	6⅝ - 6⅜
Portuguese Esc.	8 15/16 - 8 13/16	8 15/16 - 8 13/16	9 1/16 - 8 15/16	9¼ - 9⅛	9⅜ - 9¼	9⅝ - 9⅜
Spanish Peseta	9⅜ - 9¼	9 7/16 - 9 5/16	9½ - 9⅜	9½ - 9⅜	9⅝ - 9½	9¾ - 9⅝
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	2 - 1⅞	2⅛ - 2	2¼ - 2⅛	2 3/16 - 2 1/16	2⅜ - 2¼	2⅜ - 2¼
Can. Dollar	6 1/16 - 6	6¼ - 6 1/16	6¼ - 6⅛	6⅜ - 6¼	6 7/16 - 6 5/16	6 7/16 - 6 5/16
US Dollar	5¾ - 5½	5 13/16 - 5 11/16	5 13/16 - 5 11/16	5 13/16 - 5¾	5⅞ - 5 11/16	5⅞ - 5 11/16
Italian Lira	8 7/16 - 8 5/16	10¼ - 10⅛	10 7/16 - 10 5/16	10 5/8 - 10½	10 11/16 - 10 9/16	10¾ - 10⅝
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	3⅛ - 3	2 15/16 - 2 13/16	2 15/16 - 2 13/16	2 15/16 - 2 13/16	3 - 2⅞	3⅛ - 3

Short term rates are call for the US Dollar and Yen, others, two days' notice

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.88	93.09	+0.10	93.16	92.83	64,558	39,451
Mar	93.73	93.88	+0.08	93.91	93.70	17,530	30,685
Jun	94.15	94.22	+0.03	94.23	94.13	5,356	28,924

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.99	95.98	-	95.99	95.95	27401	134752
Mar	96.08	96.10	+0.02	96.10	96.05	26386	157710
Jun	95.99	96.01	+0.02	96.03	95.96	17477	119130
Sep	95.77	95.81	+0.03	95.82	95.76	16119	91978

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int
Dec	89.40	89.47	+0.05	89.47	89.38	8210	33196
Mar	89.70	89.77	+0.04	89.77	89.67	2230	23848
Jun	89.84	89.92	+0.04	89.90	89.84	347	13090
Sep	89.86	89.95	+0.06	89.95	89.85	83	7912

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.66	97.67	+0.01	97.69	97.65	3518	22322
Mar	97.75	97.75	+0.02	97.76	97.71	4212	16039
Jun	97.66	97.65	+0.01	97.69	97.63	931	5500
Sep	97.47	97.47	+0.01	97.49	97.44	591	2760

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.22	94.29	+0.04	94.30	94.18	1485	8991
Mar	94.41	94.47	+0.03	94.48	94.40	328	3990
Jun	94.38	94.47	+0.04	94.48	94.38	82	2497
Sep	94.30	94.32	+0.04	94.32	94.30	19	1438

* LIFFE futures also traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.27	94.26	-	94.28	94.25	79,783	400,164
Mar	94.45	94.43	-0.01	94.46	94.42	93,371	366,355
Jun	94.46	94.43	-0.02	94.47	94.41	62,834	250,349

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

Dec	94.85	94.85	+0.01	94.85	94.83	976	12,019
Mar	94.95	94.92	-0.01	94.95	94.92	634	3,998
Jun	94.93	94.92	-0.03	94.93	94.92	5	162

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	Dec	Jan	Mar	PUTS Nov	Dec	Jan	Mar
9575	0.25	0.26	0.38	0.41	0.01	0.02	0.03	0.06
9600	0.05	0.08	0.19	0.23	0.06	0.09	0.09	0.13
9625	0.01	0.02	0.07	0.11	0.27	0.28	0.22	0.26

Est. vol. total, Calls 8209 Puts 2997. Previous day's open int., Calls 220646 Puts 222589

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9750	0.21	0.33	0.36	0.04	0.08	0.21
9775	0.06	0.17	0.22	0.14	0.17	0.32
9800	0.02	0.07	0.11	0.35	0.32	0.46

Est. vol. total, Calls 21 Puts 0. Previous day's open int., Calls 5125 Puts 800

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
8925	0.46	0.85	1.06	0.24	0.33	0.39
8950	0.31	0.68	0.90	0.34	0.41	0.48
8975	0.20	0.54	0.75	0.48	0.52	0.58

Est. vol. total, Calls 204 Puts 275. Previous day's open int., Calls 13154 Puts 6114

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 18		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.87	17.03	4.859	2.127	5476	5.441	21.37	512.0	420.2	23.40	3.947	2.175	4.569	3.415	343.8	2.642
Denmark	(DKr)	53.00	10	9.028	2.575	1.127	2903	2.884	11.33	271.4	222.7	12.40	2.092	1.153	2.422	1.810	182.2	1.401
France	(FFr)	58.71	11.08	10	2.852	1.249	3215	3.195	12.55	300.6	246.7	13.74	2.317	1.277	2.683	2.005	201.9	1.551
Germany	(DM)	20.58	3.883	3.506	1	0.438	1127	1.120	4.398	105.4	86.48	4.816	0.812	0.448	0.940	0.703	70.77	0.544
Ireland	(I£)	47.01	8.870	8.008	2.284	1	2575	2.558	10.05	240.7	197.5	11.00	1.856	1.022	2.148	1.605	161.7	1.242
Italy	(L)	1.826	0.345	0.311	0.089	0.039	100.	0.099	0.390	9.349	7.673	0.427	0.072	0.040	0.083	0.062	6.279	0.048
Netherlands	(Fl)	18.38	3.467	3.130	0.893	0.391	1006	1	3.927	94.08	77.22	4.301	0.725	0.400	0.840	0.627	63.19	0.486
Norway	(NKr)	46.79	8.829	7.971	2.274	0.995	2563	2.546	10	239.6	196.6	10.95	1.847	1.018	2.138	1.598	160.9	1.237
Portugal	(Es)	19.53	3.685	3.327	0.949	0.415	1070	1.063	4.174	100.	82.07	4.571	0.771	0.425	0.893	0.667	67.16	0.515
Spain	(Pta)	23.80	4.490	4.054	1.156	0.506	1303	1.295	5.086	121.8	100.	5.569	0.939	0.518	1.087	0.813	81.83	0.629
Sweden	(SKr)	42.73	8.062	7.279	2.076	0.909	2340	2.325	9.132	218.6	179.6	10	1.687	0.929	1.953	1.459	146.9	1.129
Switzerland	(SFr)	25.33	4.780	4.315	1.231	0.539	1387	1.379	5.414	129.7	106.4	5.928	1	0.551	1.158	0.865	87.11	0.669
UK	(£)	45.98	8.675	7.832	2.234	0.978	2518	2.502	9.826	235.4	193.2	10.76	1.815	1	2.101	1.570	158.1	1.215
Canada	(C$)	21.88	4.129	3.728	1.063	0.465	1198	1.191	4.677	112.0	91.96	5.121	0.864	0.476	1	0.747	75.25	0.578
US	($)	29.29	5.525	4.989	1.423	0.623	1604	1.594	6.259	149.9	123.1	6.854	1.156	0.637	1.338	1	100.7	0.774
Japan	(Y)	29.08	5.487	4.954	1.413	0.619	1593	1.583	6.215	148.9	122.2	6.806	1.148	0.633	1.329	0.993	100.	0.769
Ecu		37.84	7.140	6.446	1.839	0.805	2072	2.059	8.087	193.7	159.0	8.856	1.494	0.823	1.729	1.292	130.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7086	0.7052	-0.0045	0.7142	0.7025	21,969	47,405
Mar	0.7092	0.7086	-0.0046	0.7140	0.7058	101	2,582
Jun	-	0.7110	-	-	0.7110	1	89

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

Dec	0.8761	0.8716	-0.0057	0.8820	0.8664	12,171	31,773
Mar	0.8785	0.8792	-0.0055	0.8849	0.8755	40	1,750
Jun	-	0.8860	-	-	0.8850	380	402

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0064	1.0035	-0.0037	1.0140	0.9985	14,646	58,004
Mar	1.0238	1.0186	-0.0048	1.0238	1.0145	5,211	6,868
Jun	-	1.0368	-	-	-	15	335

■ STERLING FUTURES (IMM) £62,500 per £

Dec	1.5706	1.5676	-0.0042	1.5770	1.5636	2,792	35,572
Mar	1.5702	1.5650	-0.0046	1.5710	1.5618	76	212
Jun	-	1.5600	-	1.5670	1.5600	2	10

EMS EUROPEAN CURRENCY UNIT RATES

Oct 18	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.09388	-0.00118	-2.71	6.34	20
Belgium	39.3960	38.4745	-0.017	-2.34	5.94	17
Germany	1.91007	1.86955	-0.00153	-2.12	5.71	21
Austria	13.4383	13.1558	-0.0089	-2.10	5.69	15
Spain	162.493	161.695	+0.079	-0.49	3.98	3
Denmark	7.28580	7.25895	+0.00313	-0.38	3.86	3
Portugal	195.792	196.962	+0.044	0.60	2.85	-4
France	6.40608	6.55750	+0.00871	2.36	1.08	-20
Ireland	0.792214	0.819672	-0.000622	3.47	0.00	-23
NON ERM MEMBERS						
Greece	292.867	307.454	+0.338	4.98	-1.44	-
Italy	2106.15	2108.50	+1.42	0.11	3.35	-
UK	0.786652	0.837687	+0.000175	6.49	-2.84	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
1.540	3.42	3.93	4.36	0.22	0.77	1.29
1.550	2.59	3.23	3.71	0.39	1.07	1.63
1.560	1.91	2.60	3.12	0.59	1.45	2.04
1.570	1.30	2.10	2.58	0.97	1.89	2.50
1.580	0.83	1.65	2.17	1.51	2.15	2.99
1.590	0.49	1.63	1.76	2.17	2.43	3.58

Previous day's vol., Calls 10,406 Puts 6,584 Prev. day's open int., Calls 227,965 Puts 255,009

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75	* In administration	
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

UK INTEREST RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.25	93.30	+0.05	93.31	93.24	16951	94560
Mar	93.26	93.39	+0.12	93.41	93.24	35354	58113
Jun	93.19	93.33	+0.13	93.34	93.15	20565	45143
Sep	92.98	93.13	+0.13	93.14	92.95	9656	33405
Dec	92.77	92.91	+0.12	92.92	92.74	1797	24725

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9325	0.14	0.36	0.47	0.09	0.22	0.39
9350	0.04	0.23	0.34	0.24	0.34	0.51
9375	0.01	0.13	0.24	0.46	0.49	0.66

Est. vol. total, Calls 6174 Puts 5690. Previous day's open int., Calls 141303 Puts 132843

LONDON MONEY RATES

Oct 18	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¾ - 3	6⅝ - 6⅜	[illegible]	[illegible]	6⅞ - 6¾	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	6⅝ - 6½	6⅝ - 6½	6¾ - 6⅝	[illegible]	[illegible]	[illegible]
Discount Market deps	[illegible]	6⅝ - 6½	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc
Ave. tender rate of discount 6.6001pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 29, 1995. Agreed rate for period Oct 25, 1995 to Nov 25, 1995, Schemes II & III 8.04pc. Reference rate for period Sep 1, 1995 to Sep 29, 1995, Schemes IV & V 6.795pc. Finance House Base Rate 7pc from October 1, 1995

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		531$\frac{11}{16}$	—	£34	£29	2,189	2.6	Φ
Barlow	♣	891$\frac{1}{4}$	+$\frac{1}{4}$	881$\frac{1}{4}$	£4$\frac{1}{2}$	1,041	1.2	30.0
Gold Flds Prop R.		1465	-4	152	118	14.9	7.2	6.6
NK Props.		85	—	95	85	3.46	13.8	—
SASOL	♥	585	+18	648	435	3,308	2.4	—
SA Brews		£20$\frac{5}{8}$	+$\frac{1}{2}$	£20$\frac{5}{8}$	£12$\frac{7}{8}$	5,884	1.7	Φ
Standard Bank	□	£23$\frac{1}{4}$	+$\frac{3}{4}$	£24$\frac{1}{4}$	£20$\frac{3}{4}$	2,835	1.9	16.6
Tiger Oats		1022	—	1022	700	1,537	1.5	24.8
Tongaat-Hulett	†h	832	+27	835	636	758.3	1.7	24.8

GUIDE TO LONDON SHARE SERVICE

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Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Φ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Prices for dealing October 18

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1256, Hamilton, Bermuda 001 809 292 2760

Newport Investment Management
73 Front street, Hamilton, Bermuda

Orion Fund Limited
6 Front St., Hamilton, HM11, Bermuda 809 292 8370

BERMUDA (REGULATED)(**)

Bermuda Intl Invmnt Mgmnt Ltd

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey 01481 723021

Sarasin Funds Mngmt (Guernsey) Ltd
PO Box 248, St Peter Port, Guernsey 01481 723021

Schroder Investment Mngmt (Guernsey) Ltd
PO Box 255, St Peter Port, Guernsey 01481 710651

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Commercial Union Captives Inv Mngt

Consulta (Channel Islands) Limited

Dantrust Management (Guernsey) Ltd

Global Portfolio Management (Guernsey) Ltd

Guernsey Capital Management Limited

Hambros Fund Managers (CI) Ltd

Hauteville Fund Managers (Guernsey) Ltd

Hewlett Throgmorton Mngmt Ltd

IPS (Guernsey) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 hits all-time intra-day and closing highs

By Steve Thompson, UK Stock Market Editor

The UK equity market yesterday blasted through its all-time intra-day high point, ended the session at a record closing peak and looked set to penetrate the 3,600 level for the first time.

The driving force behind the latest surge in share prices was the bid speculation that has been responsible for the market's upsurge this year, plus the lack of any inflationary pressures in yesterday's batch of economic news. In the background, Wall Street initially surged ahead after US trade figures for August, and news of the biggest ever takeover bid in the US banking arena.

The FT-SE 100 index, which has launched numerous attempts at its all-time high in the past two months, finally broke through into previously untouched territory after the US trade figures. It reached a peak of 3,598.0, then slipped back, before moving ahead again to close at 3,593.0, a net gain of 30.8.

The Footsie has now risen 137.9 points, or 4 per cent, since last Tuesday week, when Wall Street and most European markets plunged in the wake of disappointing figures from Novell and Motorola, two US high-tech stocks.

The upsurge was by no means market-wide. The FT-SE Mid 250, which has underperformed the leading index all week, was in negative ground all morning and only picked up in the afternoon when the FT-SE 100 really took off. The 250 was said to have been held back by widespread losses in the water stocks, as well as by a poor showing by Trafalgar House. The Mid 250 settled only 4.4 higher at 3,941.3.

The head of trading at one of the top securities houses in London said the equity market was now "in dangerous territory; the real concerns have to be on the upside", he said. He added, however, that the institutions, who have been sitting on cash in recent weeks, might now be persuaded to buy the market.

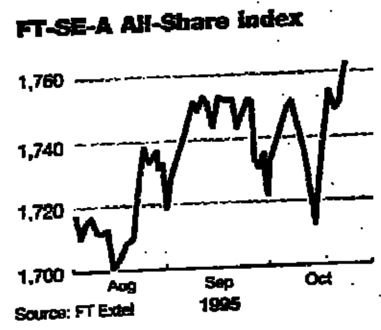
Bid speculation was once again concentrated on the banking sector, where Royal Bank of Scotland continued its upward spiral, hitting another peak. Dealers said a takeover or merger involving the bank was beginning to look inevitable, given the recent performance of the stock. National Westminster, Lloyds and Bank of Scotland joined in the fun, each rising some 2 per cent. News that Wells Fargo had launched a $10bn offer for First Interstate added fuel to the bid fever.

The bid speculation spilled over into the composite and general insurances where talk of mergers involving the weakest of the sector's components, Guardian Royal Exchange and Royal Insurance, promoted heavy buying. The latter topped the Footsie performance league, moving forward almost 7 per cent.

The day's domestic economic news came as no real surprise and helped the market consolidate its early gains as gilts gradually made progress. Average earnings and retail sales were in line with forecasts, while the decline in unemployment numbers was only slightly ahead of expectations.

Turnover in equities, 784.5m shares at 6pm, was seen as mildly disappointing.

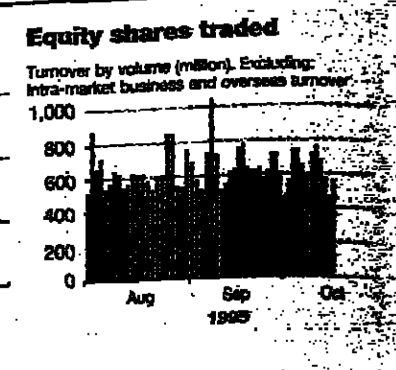
FT-SE-A All-Share index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3593.0	+30.8
FT-SE Mid 250	3941.3	+4.4
FT-SE-A 350	1785.3	+12.3
FT-SE-A All-Share	1762.78	+11.46
FT-SE-A All-Share yield	3.79	(3.81)
FT Ordinary index	2636.5	+16.2
FT-SE-A Non Fins p/e	17.08	(16.98)
FT-SE 100 Fut Dec	3628.0	+45.5
10 yr Gilt yield	8.09	(8.14)
Long gilt/equity yld ratio:	2.21	(2.25)

Best performing sectors

1	Insurance	+3.7
2	Life Assurance	+2.9
3	Gas Distribution	+2.3
4	Banks, Retail	+1.8
5	Extractive Inds.	+1.4

Worst performing sectors

1	Property	-0.9
2	Tobacco	-0.4
3	Health Care	-0.4
4	Paper, Pckg & Print	-0.3
5	Household Goods	-0.3

Bid talk sweeps insurers

If it is Wednesday, it must be the insurers. Rampant takeover enthusiasm, which continues to grip the market, switched to the composite sector, ensuring that it dominated the Footsie league.

Royal Insurance, Commercial Union and **Sun Alliance** were the best performers in the blue chip index, with **General Accident** and **Guardian Royal Exchange** not far behind.

Big gains were prompted by two things. Firstly, a rumour that Sun would bid for Royal and, second, a recommendation and technical trade from one leading securities house.

Speculation over a link between Sun and Royal was a surprise as Guardian is seen as the most probable takeover candidate in the sector. It is unlikely that Sun could afford to make an outright bid but there was a feeling that an agreed merger could achieve the kind of cost savings projected by Lloyds and TSB.

Also, SBC Warburg and Kleinwort were recommending the sector yesterday. Warburg argued that the rationale for consolidation was the same as in the banking sector and so was the potential for cost savings. It linked its recommendation to the issue of 5m American-style basket warrants.

The warrants, comprising a cocktail of Commercial Union, General Accident, Sun Alliance, Royal and GRE, were issued at 43p and exercisable at 470p each. The underlying equivalent share price was 495p and buyers will make a profit if that basket price rises above 513p at any time between now and the end of October next year. The deal gives investors a way into £23.5m of composite insurance stocks.

Finally, US investors appeared to be buying the sector heavily. Both Goldman Sachs and Salomon Brothers were bidding aggressively for Royal Insurance shortly before the close. Royal rose 26½ to 411½p, Sun 16 to 389p, GRE 7 to 241p, CU 26 to 624p and GenAcc 23 to 686p.

Trafalgar active

The market spotlight was firmly fixed on conglomerate **Trafalgar House**, after rumours of impending boardroom changes swept through the market and several large trades in the stock sent the shares crashing to a new low in record volume.

One story doing the rounds in the market suggested that 26.1 per cent stake holder Hongkong Land with three board members was planning to distance itself from Trafalgar. But a close observer of Trafalgar dismissed the talk, saying: "I cannot see why Hongkong Land will want to distance itself now, given that it has so far seen no return on its investment." HK Land is expected to make a statement this morning confirming its continuing commitment to Trafalgar House.

However, most of the attention yesterday was focused on the heavy trades in the stock that sent turnover soaring to 70m, its highest ever daily total. Dealers suggested that several trades including at least two of around 9m had been carried out at 19p a share, with one institution believed to be moving stock between funds.

The shares fell to a new low, closing 2½ down at 21p, making it the day's biggest retreat in the FT-SE Mid-250 index.

RBoS jumps

There may well be scepticism over a bid for **Royal Bank of Scotland** but yesterday's rise of 20 to 554p capped a gain of 100p over the past fortnight.

One of the prime motors behind the sharp gain is the relative lack of liquidity in the stock. Between them, Mercury Asset Management and Banco Santander account for a quarter of the equity.

Consequently, fund managers attempting to achieve a full Footsie weighting face a near impossible task. And if there is any chance of a takeover, prices will inevitably be squeezed higher.

Dealers said that the tight market in RBoS was benefiting the rest of the sector as investors went for the next best thing. Bank stocks were also enlivened by the latest consolidation news in the US. A $10bn bid by Wells Fargo for First Interstate was seen as putting some of the wind back in the proposed sale of National Westminster's Bancorp subsidiary. NatWest rose 16 to 660p and Lloyds 18½ to 786½p.

Northern Electric leapt 36 to 352p in spite of being perceived as the least likely of the six remaining independent regional electricity groups to attract a bid.

But news about the National Grid flotation focused investors' attention on the special dividend that Northern has promised to pay to shareholders and which is calculated at around 58p a share.

Water issues were held back by concern that they would have to spend heavily on leakage control, although analysts said speculation of a £4bn bill was exaggerated and £1bn to £1.5bn was more likely.

News of improving sales at **W.H. Smith** helped the stock brush aside a profits warning from the chairman at the group's annual meeting.

The shares forged ahead 21 to 377p, to record the best performance in the FT-SE Mid 250 index, on volume of 1.2m, with Cazenove, the group's broker, said to have been recommending the stock. But several analysts urged caution and one said: "I know things are improving, but investors must be careful, given the bad news we have got from the company this year."

In the rest of the retailers, **Body Shop** relinquished 6 to 135p, the market being disappointed with the group's interim figures.

Bluebird Toys jumped 97 to 367p as the market appreciated its deal with Mattel and Walt Disney for a new range of miniature toy products. The products are to be launched in the UK in March and in the US in June.

Media conglomerate **Pearson**, which owns the Financial Times, rose 15 to 643p as investors revisited the company's software prospects in the wake of good figures from Microsoft and reports of good CD-Rom sales from rival publishing group Dorling Kindersley.

BT improved 4½ to 392p following a recommendation from ABN Amro Hoare Govett. The company is holding a presentation on its multi-media business tomorrow.

Scottish & Newcastle put on 10½ at 601¼p on volume of 1.4m as NatWest Securities reiterated its favourable recommendation on the stock. NatWest said it prefered S&N over Bass. However, the latter was also in demand and the shares gained 11 at 675p, boosted by a recommendation from BZW.

Elsewhere in the sector, **Guinness** lost 4½ to 511¼p in trade of 6.1m, with SBC Warburg said to have downgraded its profits estimate.

In hotels, **Forte** appreciated 6 to 255p, with SBC Warburg said to have advised investors to buy the shares. The stock has performed strongly following last week's recommendation from NatWest Securities, which had been a long term bear of the stock.

In food retailers, **Kwik Save** moved ahead 8 to 674p following a Robert Fleming recommendation.

However, selling of **Asda Group** on fears of an increasing price war brought turnover of 9.4m as the shares declined 1½ to 101½p.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Oct 18	Oct 17	Oct 16	Oct 13	Oct 12	Yr ago	*High	*Low
Ordinary Share	2636.5	2620.3	2614.4	2628.6	2601.3	2357.0	2666.5	2238.3
Ord. div. yield	4.04	4.07	4.08	4.07	4.12	4.36	4.73	4.02
P/E ratio net	16.05	15.84	15.81	15.85	15.66	18.51	21.33	15.35
P/E ratio nil	15.86	15.65	15.63	15.66	15.47	18.04	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2624.6	2625.4	2615.9	2623.5	2624.3	2633.1	2636.8	2635.4	2633.2	2639.4	2615.8

	Oct 18	Oct 17	Oct 16	Oct 13	Oct 12	Yr ago
SEAQ bargains	29,215	28,372	30,199	30,585	29,997	20,146
Equity turnover (£m)†	-	1467.4	1283.3	1884.1	2027.2	1154.7
Equity bargains†	-	33,292	36,122	35,477	34,763	22,838
Shares traded (mI)†	-	561.4	452.8	588.7	679.9	502.4

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	684	Total Highs	130	Total contracts	-
Total Falls	535	Total Lows	33	Calls	-
Same	1671			Puts	-

Oct. 18 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3597.0	3628.0	+45.5	3633.0	3585.0	18383	64888
Mar	3650.0	3656.5	+45.5	3650.0	3650.0	2	2652
Jun	-	3661.5	+45.5	-	-	0	134

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3965.0	-	-	-	0	3538

■ FT-SE 100 INDEX OPTION Oct.17 (LIFFE) (*3550) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION Oct. 17 (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
50	F.P.	15.0	71	50	Consolidated Coal	66					
-	F.P.	5.55	130	120	†Euro Sales Fin	130					
-	F.P.	0.59	29	17½	German Sml Wts	18					
-	F.P.	5.25	40	25	Hay & Robertson	38					
45	F.P.	17.2	61	52	†MultiMedia	60					
-	F.P.	15.3	105	100	Murray Vct	105	-	-	-	-	-
-	F.P.	5.30	96	70	†Omnicare	86		Hv1.5	4.0	2.2	14.3
-	F.P.	14.4	61	60	Pemberstone	60		V-	-	-	-
[illegible]	F.P.	23.6	104	99	Pictet British	102	-	-	-	-	-
400	F.P.	3.62	403	400	†Preston Nth End	400		V-	-	-	-
125	F.P.	12.5	153	6½	†SCS Satellite	121	-	-	-	-	-
149	F.P.	49.1	195	168	Universal Salvage	183		Mv5.07	1.7	3.5	21.2
-	F.P.	-	½	½	Upton & Sthn Wts	½	-	-	-	-	-

* Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Oct 17	% chg on day	Oct 16	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1860.78	-1.5	1888.47	2243.83	2.82	-	2304.73	1637.91
■ Regional indices								
Africa (16)	2511.80	-2.5	2577.27	3571.88	4.32	23.11	3711.87	2428.19
Australasia (6)	2326.01	-0.8	2340.30	2862.41	2.17	25.70	2951.49	1788.20
North America (12)	1609.41	-1.1	1627.44	1755.76	0.84	46.17	1831.00	1348.18

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable.

FT - SE Actuaries Share Indices — The UK Series

	Oct 18	Day's chge%	Oct 17	Oct 16	Oct 13	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3593.0	+0.9	3562.2	3557.3	3568.0	3060.8	3.93	2.07	15.39	125.35	1425.17
FT-SE Mid 250	3941.3	+0.1	3936.9	3939.0	3945.3	3521.2	3.46	1.85	19.50	118.11	1533.85
FT-SE Mid 250 ex Inv Trusts	3960.7	+0.1	3957.5	3960.2	3966.1	3516.7	3.60	1.91	18.21	123.65	1541.34
FT-SE-A 350	1785.3	+0.7	1773.0	1771.3	1778.0	1537.4	3.82	2.02	16.15	60.33	1447.24
FT-SE-A 350 Higher Yield	1780.6	+0.8	1766.3	1764.8	1770.9	1539.3	4.87	1.83	14.07	75.96	1197.20
FT-SE-A 350 Lower Yield	1794.8	+0.6	1784.4	1782.5	1785.9	1497.2	2.75	2.39	19.04	43.40	1215.23
FT-SE SmallCap	1966.91	+0.1	1964.52	1964.12	1964.73	1792.87	3.30	1.67	22.73	53.11	1582.83
FT-SE SmallCap ex Inv Trusts	1952.23	+0.1	1949.61	1949.37	1949.80	1782.48	3.52	1.74	20.41	55.79	1579.17
FT-SE-A ALL-SHARE	1762.78	+0.7	1751.32	1749.74	1754.15	1524.39	3.79	2.00	16.50	58.65	1452.32

■ FT-SE Actuaries All-Share

	Oct 18	Day's chge%	Oct 17	Oct 16	Oct 13	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	2953.65	+0.6	2936.59	2921.72	2922.78	2683.89	3.82	2.09	15.69	105.02	1237.92
12 Extractive Industries(7)	4224.26	+1.4	4165.18	4168.84	4187.63	3938.67	3.50	2.51	14.21	143.77	1211.20
15 Oil, Integrated(3)	2929.30	+0.4	2916.84	2894.04	2894.26	2629.73	4.01	2.04	15.31	107.92	1256.98
16 Oil Exploration & Prod(13)	1950.02	+0.2	1945.91	1955.26	1952.54	1896.96	2.58	1.48	32.72	49.88	1157.47
20 GEN INDUSTRIALS(278)	1975.61	+0.2	1972.09	1969.65	1973.98	1870.37	4.16	1.63	16.37	70.36	1054.28
21 Building & Construction(38)	916.03	......	915.96	917.10	919.44	1052.94	4.44	1.87	15.05	36.55	751.77
22 Building Matls & Merchs(31)	1715.88	+0.2	1712.75	1709.44	1717.29	1829.90	4.30	2.02	14.41	65.12	847.43
23 Chemicals(23)	2465.99	+0.4	2457.53	2447.80	2451.60	2342.11	3.90	1.82	17.55	80.65	1141.55
24 Diversified Industrials(20)	1761.37	......	1760.66	1768.37	1771.85	1774.60	5.63	1.58	14.08	87.22	957.08
25 Electronic & Elect Equip(36)	2177.00	-0.1	2178.88	2178.29	2192.95	1878.22	3.44	1.93	18.82	61.51	1109.36
26 Engineering(69)	2181.82	+0.5	2170.96	2161.26	2160.71	1800.54	3.33	1.99	18.84	58.48	1296.41
27 Engineering, Vehicles(13)	2612.86	+0.5	2599.22	2581.87	2596.19	2266.11	3.59	1.39	25.15	89.46	1329.06
28 Paper, Pckg & Printing(27)	2887.88	-0.3	2896.56	2888.70	2877.41	2762.04	3.46	2.48	14.56	86.90	1178.49
29 Textiles & Apparel(21)	1580.07	......	1579.76	1577.81	1585.18	1608.84	4.57	1.78	15.36	51.24	934.36
30 CONSUMER GOODS(92)	3455.50	+0.4	3442.89	3458.19	3472.00	2732.73	3.86	1.77	18.30	117.55	1247.62
31 Breweries(18)	2671.55	+0.9	2648.41	2680.93	2679.82	2207.48	3.73	1.99	16.83	62.79	1249.69
32 Spirits, Wines & Ciders(10)	2964.36	......	2964.64	2985.89	2983.28	2844.12	4.03	1.84	16.81	106.86	1042.29
33 Food Producers(24)	2526.27	......	2526.73	2539.63	2557.66	2286.94	4.01	1.79	17.40	80.34	1111.11
34 Household Goods(11)	2641.91	-0.3	2649.84	2643.69	2626.90	2406.81	3.62	2.04	16.88	59.15	980.02
36 Health Care(17)	1994.97	-0.4	2002.20	2011.40	2036.62	1621.02	2.61	1.82	26.28	48.10	1196.57
37 Pharmaceuticals(11)	4578.22	+0.9	4537.13	4550.71	4566.90	2966.11	3.53	1.57	22.49	153.87	1526.50
38 Tobacco(1)	4637.81	-0.4	4654.75	4646.28	4701.34	3720.56	5.17	1.90	12.75	229.23	1122.02
40 SERVICES(226)	2189.65	+0.4	2181.14	2182.57	2193.35	1907.38	3.05	2.05	19.87	58.24	1117.11
41 Distributors(30)	2703.57	......	2704.10	2708.14	2721.68	2521.39	3.68	1.77	19.21	73.32	973.50
42 Leisure & Hotels(29)	2552.43	+0.6	2537.91	2525.46	2512.07	2082.89	3.13	1.85	21.53	73.28	1307.23
43 Media(43)	3408.32	+0.4	3395.89	3388.94	3405.43	2791.48	2.14	2.40	24.40	77.51	1218.39
44 Retailers, Food(16)	2086.40	+0.1	2084.67	2100.99	2132.70	1712.07	3.45	2.41	15.05	58.55	1297.06
45 Retailers, General(44)	1803.77	+0.5	1794.34	1795.50	1811.62	1653.42	3.25	2.13	18.11	48.97	1010.84
48 Support Services(37)	1862.31	+0.5	1853.62	1858.15	1855.55	1497.60	2.45	2.44	20.92	34.98	1165.77
49 Transport(20)	2207.45	+0.4	2197.62	2202.28	2199.84	2236.06	3.90	1.29	24.90	72.68	900.90
51 Other Services & Business(7)	1200.64	-0.2	1202.45	1204.46	1203.48	1244.05	4.24	1.43	20.64	38.30	1074.91
60 UTILITIES(36)	2565.00	+0.8	2543.98	2527.94	2525.03	2385.93	4.45	2.01	14.00	95.19	1047.73
62 Electricity(14)	2835.35	+0.5	2821.22	2797.16	2792.23	2426.75	3.93	2.92	10.90	116.18	1261.60
64 Gas Distribution(2)	1731.11	+2.3	1692.72	1618.89	1672.90	1894.48	6.92	0.85	27.84	119.82	868.62
66 Telecommunications(7)	2139.06	+0.9	2119.40	2125.14	2102.81	2031.50	3.84	1.71	19.06	51.48	951.41
68 Water(13)	2088.85	......	2088.98	2088.55	2095.85	1904.58	5.49	2.75	8.29	85.07	1110.22
69 NON-FINANCIALS(655)	1867.60	+0.4	1859.94	1858.90	1863.81	1647.36	3.81	1.92	17.08	62.04	1382.33
70 FINANCIALS(113)	2782.43	+1.8	2733.41	2726.70	2732.20	2152.53	4.00	2.45	12.75	101.82	1161.04
71 Banks, Retail(9)	3906.84	+1.8	3836.27	3827.58	3843.67	2807.68	3.72	2.82	11.92	140.81	1232.22
72 Banks, Merchant(6)	3652.21	+0.7	3627.80	3640.31	3645.37	2741.80	2.54	2.74	17.98	91.76	1140.66
73 Insurance(25)	1427.75	+3.7	1376.65	1360.61	1353.46	1247.69	5.16	2.69	9.02	64.55	1039.74
74 Life Assurance(6)	3220.65	+2.9	3129.89	3111.60	3111.29	2351.57	4.33	1.53	18.81	136.72	1312.10
77 Other Financial(22)	2404.39	+0.6	2391.08	2394.10	2386.14	1805.46	3.67	1.95	17.50	62.49	1339.41
79 Property(45)	1367.05	-0.9	1378.89	1388.96	1394.39	1468.13	4.53	1.34	20.68	46.36	819.25
80 INVESTMENT TRUSTS(133)	2952.02	+0.3	2943.36	2940.13	2947.28	2749.98	2.22	1.07	52.86	53.40	1016.96
89 FT-SE-A ALL-SHARE(901)	1762.78	+0.7	1751.32	1749.74	1754.15	1524.39	3.79	2.00	16.50	58.65	1452.32
FT-SE-A Fledgling	1078.24	+0.1	1076.72	1075.46	1074.79	-	2.82	1.25	35.34	25.40	1105.83
FT-SE-A Fledgling ex Inv Trusts	1076.42	+0.1	1074.86	1073.34	1072.66	-	2.96	1.31	32.24	26.43	1105.19

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3568.7	3570.4	3560.2	3572.8	3571.4	3584.7	3594.6	3591.6	3591.3	3598.0	3560.2
FT-SE Mid 250	3935.7	3935.6	3933.5	3934.9	3936.3	3935.7	3936.6	3940.0	3939.8	3941.3	3933.4
FT-SE-A 350	1775.3	1776.1	1771.9	1776.9	1776.5	1781.7	1785.7	1784.7	1784.5	1786.9	1771.8

Time of FT-SE 100 Day's high: 1.42pm Day's low: 9.40am . FT-SE 100 1995 High: 3570.8(13/9) Low: 2954.2 (23/1).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	916.0	916.0	915.0	915.4	916.3	916.3	917.3	917.3	916.8	916.8	916.6	+0.2
Pharmaceuticls	4491.7	4493.0	4485.2	4508.3	4497.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. [illegible]

TRADING VOLUME

■ Major Stocks Yesterday

[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 index constituent.

هكذامن الأجهل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 18 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Oct 18 / Frs.)

[illegible]

CZECH REP (Oct 18 / Koruna)

[illegible]

DENMARK (Oct 18 / Kr)

[illegible]

FINLAND (Oct 18 / Mks)

[illegible]

FRANCE (Oct 18 / Frs.)

		+/-	High	Low	Yld	P/E
Accor	568	+8	680	521	4.9	...
AirLiq	805	+1	835	705	2.8	...
Alctel	410.40	-1.80	538	378.10	5.5	...
AlcCab	283	-9.70	444.90	245.28	5.3	...
ArjPri	1,800	...	2,101	1,650	1.9	...
Axa	288.80	-4.40	287.40	208.30	3.1	...
BIC	446	+5.20	465	325	6.7	...
BNP	188.10	-.50	287	188.50	2.5	...
BNP	189.10	-.30	287	188.50	2.5	...
Bncair	461.20	-2.20	619	406	3.3	...
BFaure	150	-5.90	217	149	...	...
Bongrn	2,479	-15	2,950	2,428	3.7	...
Bygues	500	-22	642	499	3.6	...
CEP Cm	515	+5	548	420	2.3	...
CGIP	834	-1	1,271	917	5.8	...
Canal+	835	-8	875	573	2.7	...
CapGem	139	-3.40	183.80	125.50	7.8	...

[illegible]

GERMANY (Oct 18 / Dm.)

[illegible]

		+/-	High	Low	Yld	P/E
NeckB	351		400	341	2.2	...
NuePgA	1,390	+10	1,555	1,235	...	...
PWA	220	-5.50	280	219	...	...
Porsch	657	-8	736.50	501	0.4	...
Preag	415	-5.50	472.50	385	2.4	...
RWE	500.50	-1	624	474.30	2.8	...
RWE Pf	396	-3	411	333.80	3.0	...
RWEdea	395	-4	403	375	...	...
RheinE	1,265	-27	1,395	1,000	1.2	...
RhnmtB	211	...	281	207	3.3	...
Rostgs	251	+4.50	380	245	...	...
SAP AG	212	-14	272	100	4.0	...
SKW	30.45	-.55	34.68	28	...	...
Schrng	100.80	-1	114.50	92.25	1.5	...
SchLub	280	-2	348	248.50	1.8	...
Siemns	748	+8.10	770	632	1.7	...

GREECE (Oct 18 / Drachma)

[illegible]

ITALY (Oct 18 / Lire)

[illegible]

NETHERLANDS (Oct 18 / Fls.)

[illegible]

		+/-	High	Low	Yld	P/E
Getrnc	77.20	...	79.60	59	1.1	...
GistBrd	85	-.70	85	60	4.1	...
GBrDpR	43.60	+.80	47.60	36.20	3.4	...
Grtech	56.70	-1.30	61	50	2.4	...
Hagmyr	77.80	+.30	78.60	62.25	...	...
Heinkn	286.10	+.80	269.80	195	1.3	...
HoltBe	248	-1.50	292	235	3.9	...
HgvDpR	58.70	+.30	60.80	56.80	...	...
HunDgl	76.50	+1.10	86.50	64	2.8	...
IHCCal	45.10	+.10	49.70	39.80	3.1	...
INGBkS	82.51	...	62.52	61.51	...	...
INGDpR	92.20	+.10	95.50	74.70	0.2	...
IntMue	113	-.60	115.40	91.50	3.4	...
KLM	53.60	-.40	60.80	42.30	1.9	...
KNP BT	46.80	-.30	54.50	42.70	2.1	...
KPN	55.20	+.20	58.80	52.70	...	...
KPNDpR	43.30	-.70	53	40.80	3.7	...

NORWAY (Oct 18 / Kroner)

[illegible]

POLAND (Oct 18 / Zloty)

[illegible]

PORTUGAL (Oct 18 / Escudo)

[illegible]

SPAIN (Oct 18 / Pts.)

[illegible]

		+/-	High	Low	Yld	P/E
Mapfre	5,380	+40	7,200	4,610	2.5	...
Mtrowa	3,835	+20	4,300	3,060	1.3	...
PortV	8,850	+170	10,150	7,220	2.1	...
Pryca	2,470	-15	2,660	1,860	1.3	...
Repsol	3,745	+25	4,135	3,475	3.1	...
Sarrio	526	-10	579	430	9.5	...
Sev El	800	+7	859	511	4.7	...
TabacA	4,340	-20	5,030	3,500	2.6	...
Telefn	1,590	+5	1,785	1,470	3.8	...
Un Fen	590	...	823	450	7.7	...
Uralit	1,315	+15	1,855	1,115	5.7	...
ValCem	1,540	-10	1,750	1,500	...	...
Vallhm	2,060	+10	2,475	1,895	2.4	...
Viscfn	1,865	-5	2,100	1,445	1.8	...
ZardO	12,400	-150	13,770	9,999	...	...

SWEDEN (Oct 18 / Kronor)

[illegible]

SWITZERLAND (Oct 18 / Frs.)

[illegible]

TURKEY (Oct 18 / Tk Lira)

[illegible]

PACIFIC

JAPAN (Oct 18 / Yen)

[illegible]

		+/-	High	Low	Yld	P/E
ChiboB	834	-13	938	708	...	...
ChichO	521	...	649	364	...	...
Chyoda	919	+5	1,370	887	0.7	...
ChyFM	558	-11	637	448	1.3	...
ChubuE	2,430	-10	2,510	2,079	...	...
ChgPhm	980	-5	1,040	813	...	...
ChgkE	2,380	-40	2,499	1,999	...	...
ChuoTB	980	-3	1,480	918	...	...
CtzWch	723	-13	809	493	1.1	...
CsmOB	507	-3	749	450	...	...
D'calC	543	+2	585	410	...	...
DaidoS	490	-19	585	385	...	...
Daiei	1,050	-30	1,500	978	...	...
Daihk	1,260	-30	1,850	880	1.0	...
DaiKB	1,810	+10	1,910	1,460	...	...
D'chiP	1,440	-10	1,570	1,200	...	...
Daidn	850	-8	950	640	...	...
Daikyo	894	...	878	560	...	...
MzSprt	863	-8	1,050	720	...	...
MochPh	1,400	+20	1,741	1,200	0.5	...
MrnagM	426	-7	540	375	1.2	...
Mori S	1,940	...	2,370	1,420	...	...
MurMan	3,460	-300	4,350	2,830	...	...
NEC	1,330	...	1,520	853	...	...
NBK In	958	-2	1,050	740	...	...
NSK Sp	1,310	...	1,380	865	...	...
NHK Sp	470	-6	549	350	...	...
NKK	265	...	281	189	...	...
NOK	711	-6	949	562	...	...
NSK	608	+4	787	448	1.3	...
NTN	583	+2	745	471	...	...
NichiFu	395	-5	438	258	...	...
Ng'kdy	388	-20	622	370	...	...
Nagase	850	-29	976	629	0.9	...
NgRrd	491	+3	512	429	...	...
NatHse	1,730	-40	1,840	1,400	...	...

HONG KONG (Oct 18 / H.K.$)

[illegible]

INDONESIA (Oct 18 / Rupiah)

[illegible]

MALAYSIA (Oct 18 / MYR)

[illegible]

NEW ZEALAND (Oct 18 / NZ $)

[illegible]

SINGAPORE (Oct 18 / S$)

[illegible]

AUSTRALIA (Oct 18 / Aust$)

[illegible]

		+/-	High	Low	Yld	P/E
MIM	1.78	...	2.22	1.70	2.8	44.5
MayneN	5.97	-.03	6.62	5.43	5.9	17.6
McPhsn	0.11	—	0.25	0.11	...	0.6
MetBM	2.96	+.06	3.32	2.30	4.7	...
NAB	11.56	+.08	12.72	10.16	6.4	13.4
NatCon	0.80	-	1.10	0.78	7.5	2.8
Nwcrst	5.51	-.03	6.84	4.22	2.3	...
NewsCp	6.92	+	8.42	4.80	0.4	6.5
NormMn	1.56	+.02	2	1.44	2.2	...
North	3.64	-	3.97	2.74	3.6	...
OPSM	2.09	-.01	2.34	1.75	6.2	...
Orbis	1.40	...	1.61	1.08	...	...
PacDun	3.23	-.02	3.56	2.25	7.0	...
PacMag	2.91	+.01	3.02	2.40	7.5	...
Pancnco	1.45	+.01	1.88	1.20	1.4	...
Pionin	3.28	-.06	3.66	2.80	6.2	13.6
Plutoc	6.50	-.15	6.95	4.70	0.9	...
PosSld	2.38	-.08	3.10	1.85	2.1	...
PubBr	4.22	...	4.35	3.19	3.3	...
QBE In	5.82	+.04	6.10	4.42	4.6	...
QCT Re	1.67	+.01	1.74	1.24	6.4	...
QNI	2.54	-.02	2.82	1.60	3.9	...
RnsnGd	5.40	+.05	5.70	3.90	1.8	...
Rothmn	4.88	-.06	5.75	4.29	-	...

SOUTH KOREA (Oct 18 / Won)

[illegible]

TAIWAN (Oct 18 / TW $)

[illegible]

THAILAND (Oct 18 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Oct 18 / Rand)

[illegible]

		+/-	High	Low	Yld	P/E
Malbak	24.40	+.40	25.75	18.85	...	...
MidWlt	11	...	12	8.25	0.9	...
Minrco	104.75	+.75	105	78	...	...
Nampak	19	+.50	19	13	1.4	...
Nedcor	52	+2	52	37	1.1	...
PalabM	57	...	79	47	11.9	...
Pick&P	12.75	+.15	13	8	2.9	...
PremGp	5.75	...	6	4.50	8.1	...
PretPt	100	...	111	84	2.1	...
Randfn	21.25	-.25	45.50	18.75	4.7	3.6
RmbrGp	33.50	+.75	33.50	24.25	1.6	...
RmbrCh	23	+.50	23	15.75	1.2	...
RustPt	69.50	-3	110	69	2.4	...
SAPPI	71.75	...	78.50	65	2.2	...
SASOL	32.25	...	37	28	2.7	...
SafRen	13.25	+.75	13.50	9.75	...	...
SmithFd	70	...	70	54	1.5	...
SmithCB	25	+.75	25	16.50	1.5	...
SABrew	118	+1.50	118	86	1.3	...
SAMinAm	56	+2	57	48	1.2	...
SLife	35	...	40	31	2.2	...
SLife	35	...	40	31	2.2	...
Stilvl	92	-2	118	82	4.9	...
St Hel	28	...	37.50	28	...	...
StandB	137	+1	145	100	...	...
TigOat	62.25	+.25	62.25	45	1.1	...
TogHel	49	+2	49.50	38	1.7	...
VReefs	220.50	+1.50	370	193	5.6	...
W Area	63	-.25	71.25	39.25	3.8	...
W Deep	121	+1	163	101.50	4.1	...
Winkls	30	+1	56	24	6.7	...

NORTH AMERICA

CANADA

TORONTO (Oct 18 / Can $)

4 pm close

[illegible]

MONTREAL (Oct 18 / Can $)

4 pm close

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Prices in US $.

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INDICES

	Oct 18	Oct 17	Oct 16	1995 High	1995 Low
Argentina					
General (29/12/77)	(u)	14003.28		(c) 16531.10 2/1	9831.09 9/3
Australia					
All Ordinaries(1/1/80)	2111.4	2106.5	2110.0	2188.09 18/9	1823.30 8/2
All Mining(1/1/80)	960.5	954.1	951.6	1029.89 7/8	795.38 8/2
Austria					
Credit Aktien(30/12/84)	335.90	333.75	341.26	395.42 2/1	333.75 17/10
Traded Index(2/1/91)	913.31	901.71	928.22	1036.31 2/1	901.71 17/10
Belgium					
BEL20 (1/1/91)	1422.61	1422.73	1424.03	1491.39 2/8	1271.53 9/3
Brazil					
Bovespa (29/12/83)	(u)	46210.0	45496.0	46812.80 19/9	4531.80 8/9
Canada					
Metals Mnls♦(1975)	(u)	4633.20	4668.14	5252.77 21/8	3868.83 1/3
Composite♦ (1975)	(u)	4515.60	4503.40	4719.30 12/7	3981.41 30/1
PortfolioSS (4/1/83)	(u)	2197.81	2202.43	2307.81 12/7	1963.36 30/1
Chile					
IGPA Gen♥(31/12/80)	(u)	5988.6	5955.3	6363.19 11/7	4576.98 9/3
Denmark					
CopenhagenSE(3/1/83)	361.08	361.74	363.10	375.44 25/8	330.01 29/3
Finland					
HEX General(28/12/90)	2098.72	2082.09	2106.40	2332.22 14/9	1555.30 29/3
France					
SBF 250 (31/12/90)	1190.99	1194.37	1199.41	1322.38 12/5	1164.41 13/8
CAC 40(31/12/87)	1770.86	1779.74	1780.49	2017.27 12/5	1721.80 13/3
Germany					
FAZ Aktien(31/12/58)	794.39	799.08	800.23	846.76 19/9	708.87 30/3
Commerzbank(1/12/53)	2291.30	2307.50	2310.50	2427.69 19/9	2018.70 30/3
DAX (30/12/87)‡	2194.81	2201.03	2181.44	2317.81 15/9	1910.96 28/3
Greece					
Athens SE(31/12/80)	941.55	941.29	932.88	992.59 4/8	787.15 16/3
Hong Kong					
Hang Seng(31/7/64)	9973.70	10032.93	10009.28	10032.93 17/10	6967.93 23/1
India					
BSE Sens.♥(1979)	3567.45	3588.86	3583.76	3932.09 2/1	3015.87 2/5
Indonesia					
Jakarta Comp.(10/8/82)	498.49	499.25	495.01	516.18 11/8	414.21 18/4
Ireland					
ISEQ Overall(4/1/88)	2142.42	2141.90	2158.63	2170.73 15/9	1813.59 23/1
Italy					
Banca Comm Ital (1972)	586.40	581.14	587.94	680.54 10/2	581.14 17/10
MIB General (2/1/85)	927.0	918.0	928.0	1076.00 10/2	918.80 17/10
Japan					
Nikkei 225 (16/5/49)	17895.97	17916.60	18016.44	19684.04 4/1	14485.41 3/7
Nikkei 300 (1/10/82)	267.14	268.11	268.31	295.16 4/1	222.26 13/6
Topix (4/1/68)	1424.95	1431.61	1431.28	1553.40 4/1	1193.16 13/6
2nd Section (4/1/68)	1884.37	1867.10	1866.49	2130.68 4/1	1441.90 13/6
Malaysia					
KLSE Comp.(4/4/86)	946.72	945.86	957.37	1085.04 5/6	848.67 24/1
Mexico					
IPC (Nov 1978)	(u)	2305.19	2235.29	2622.21 8/9	1447.62 27/2
Netherland					
CBS TRtnGen(End 83)	498.1	497.3	499.0	511.89 19/9	422.90 23/3
CBS All Shr (End 83)	301.9	301.4	302.4	311.10 15/9	265.29 23/3
New Zealand					
Cap. 40 (1/7/86)	2185.44	2142.04	2137.20	2185.44 18/10	1901.43 5/1
Norway					
Oslo SE(Ind)(2/1/83)	1292.16	1264.32	1266.67	1292.16 18/10	1036.80 10/3
Philippines					
Manila Comp (2/1/85)	2633.19	2638.82	2636.26	2858.12 10/7	2248.39 27/3
Portugal					
BTA (1977)	2606.3	2609.1	2602.9	2911.60 9/1	2580.78 26/9
Singapore					
SES All-S'pore(2/4/75)	512.72	511.26	513.52	535.66 5/1	472.90 23/1
South Africa					
JSE Gold (28/9/78)	1382.5♥	1382.9	1419.1	2023.08 2/1	1317.20 19/5
JSE Indl. (28/9/78)	7516.3♥	7426.0	7371.5	7616.30 18/10	6222.00 31/1
South Korea					
KoreaCmpEx(4/1/80)**	1006.89	1005.78†	1007.53	1027.37 2/1	847.09 27/5
Spain					
Madrid SE (30/12/85)	301.40	300.00	301.06	318.86 13/9	283.38 26/6
Sweden					
AffarsvarldnGen (1/2/37)	1806.5	1792.0	1801.1	1872.10 19/9	1439.80 29/3
Switzerland					
Swiss Bk Ind (31/12/58)	1437.89	1431.12	1430.66	1437.89 18/10	1174.63 13/3
SBC General (1/4/87)	1079.62	1072.66	1073.28	1079.62 18/10	870.58 13/3
Taiwan					
WeightedPr.(30/6/66)**	5033.07	5061.00	5038.98	7051.49 5/1	4593.37 14/8
Thailand					
Bangkok SET (30/4/75)	1298.43	1309.91	1317.04	1472.04 10/7	1136.69 16/3
Turkey					
Istanbul Cmp.(Jan 1986)	49117.8	47537.6	47285.9	54853.80 21/4	24844.31 23/1
WORLD					
MS Capital Int (1/1/70)$	(u)	697.7*	698.8	703.80 29/9	596.21 23/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1412.52	1408.73	1410.59	1480.89 15/9	1222.41 13/3
Euro Top-100 (26/6/90)	1280.72	1275.57	1276.24	1316.68 15/9	1117.34 9/3
JCapeDrgns (31/12/88)	(u)	(u)	336.04	349.47 14/7	292.97 23/1
Barings Emerg.(7/1/92)	147.23	148.71	148.07	158.07 2/1	117.15 10/3

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Oct	1791.0	1780.0	-8.0	1798.0	1774.0	16,225	26,314
Nov	1799.0	1789.0	-8.0	1801.5	1786.5	127	4,501
DAX							
Dec	2191.0	2211.5	+17.0	2223.5	2186.0	24,335	-
Mar	2218.0	2232.0	+16.0	2243.5	2210.0	397	-
OMX							
Oct	1424.39	1432.00	+16.00	1437.00	1422.00	5,460	12,842
Nov	1436.00	1442.00	+15.00	1447.50	1431.75	897	3,391
SOFFEX							
Oct	3116.6	3138.0	+18.0	3140.0	3104.0	8,448	11,710
Nov	3123.0	3141.2	+18.0	3144.0	3116.0	3,352	6,695

** Sat Oct 14: Taiwan Weighted Price 5075.81; Korea Comp Ex 1016.77. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 26 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Oct 18 - 2197.57 +12.05.

US INDICES

Dow Jones	Oct 17	Oct 16	Oct 13	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4795.94	4784.38	4793.78	4801.80 (14/9)	3832.08 (30/1)	4801.80 (14/9/95)	41.22 (2/7/32)
Home Bonds	104.03	104.04	103.97	104.84 (16/10)	93.63 (3/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1935.89	1940.48	1943.23	2000.39 (18/9)	1473.19 (3/1)	2000.39 (18/9/95)	12.32 (8/7/32)
Utilities	214.74	213.82	214.08	217.44 (10/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4831.35 (4823.04) Low 4747.80 (4751.51) (Theoretical♦)
Day's high 4798.11 (4798.67) Low 4771.38 (4772.82) (Actual♦)

Standard and Poors	Oct 17	Oct 16	Oct 13	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	586.78	583.03	584.50	586.78 (17/10)	459.11 (3/1)	586.78 (17/10/95)	4.40 (1/6/32)
Industrials♥	685.77	681.11	682.56	691.27 (20/9)	546.28 (3/1)	691.27 (20/9/95)	3.62 (21/6/32)
Financial	61.34	61.18	61.30	61.34 (17/10)	41.64 (3/1)	61.34 (17/10/95)	8.64 (1/10/74)
NYSE Comp.	314.10	312.89	313.65	314.33 (20/9)	250.73 (3/1)	314.33 (20/9/95)	4.46 (25/4/42)
Amex Mkt Val	536.77	534.77	535.39	563.58 (12/9)	433.12 (6/1)	563.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1035.44	1018.13	1016.38	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

RATIOS

	Oct 13	Oct 6	Sep 29	Year ago
Dow Jones Ind. Div. Yield	2.42	2.43	2.42	2.71
	Oct 11	Oct 4	Sep 27	Year ago
S & P Ind. Div. yield	2.09	2.08	2.07	2.43
S & P Ind. P/E ratio	17.74	17.87	17.94	20.33

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
IBM	11,426,600	96⅞	+3½
K-Mart	10,873,200	10⅛	+⅛
Wal-Mart	7,037,500	22¾	+¼
Micron	6,874,000	71¼	+5⅜
Compaq	6,308,300	51⅛	+3⅛
Motorola	4,403,600	67⅛	+2⅝
Cypress Semi	3,831,600	36	+3¾
Actava	3,683,800	18	+1¼
Mattel	3,454,200	27⅛	-⅛
Texas Insts	3,162,700	73⅝	+5¾

TRADING ACTIVITY

● Volume (million)

	Oct 17	Oct 16	Oct 13
New York SE	352.945	299.494	376.481
Amex	16.017	14.382	17.704
NASDAQ	457.210	352.296	452.853
NYSE			
Issues Traded	3,045	3,048	3,042
Rises	1,087	1,044	1,526
Falls	1,104	1,202	791
Unchanged	854	802	725
New Highs	159	138	216
New Lows	46	35	32

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Dec	589.70	591.00	+1.10	593.40	589.70	72,219	191,392
Mar	596.15	596.95	+0.90	598.10	595.55	316	8,990
Nikkei 225							
Dec	17870.0	17970.0	+80.0	17970.0	17760.0	16,836	155,729
Mar	17900.0	17960.0	+50.0	17960.0	17840.0	15	4,412

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Wednesday, October18, 1995

	Stocks Traded	Closing Prices	Change on day
Oki Electric	4.4m	935	+12
Nitto Chem	4.3m	1060	+50
Sumitomo Bakelit	4.0m	785	+30
Mitsubishi Hvy	3.8m	772	+2
Toshiba	3.0m	716	+8
Ikegai Corp	2.8m	395	+22
Nippon Steel	2.8m	348	-2
Itochu	2.7m	611	-4
Nip Chemi-Con	2.4m	748	+68
Fujitsu	2.3m	1200	-10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close October 18

1995 High	1995 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
19	12 1/8	AAR	0.48	2.7	24	32	17 7/8	17 3/4	17 7/8	+1/8
48 1/4	35	AMP	0.92	2.3	21	6236	40 1/2	39 3/4	39 7/8	+1/4
80 1/4	53 3/8	AMR			17	29275	69 5/8	65 3/4	68 1/2	-2 3/8
47 7/8	40 5/8	ASA	1.71	4.3	26	424	40 3/4	d39 3/4	39 3/4	-7/8
44 3/4	30 3/4	AbbtL x	0.84	2.1	19	17002	39 1/2	38 5/8	39 1/4	-1/4
18 7/8	12	Abitibi Pr	0.40	2.3	20	4341	17 5/8	17 3/8	17 3/8	-1/4
27 7/8	21	ABM Ind	0.60	2.3	14	15	26 3/8	26 1/4	26 3/8	
17 1/2	13 1/2	Acptncein			10	443	15 1/2	15 1/4	15 1/4	-1/8
35 7/8	21 7/8	ACE Ltd	0.56	1.6	8	120	35 3/4	35 1/2	35 5/8	+1/8
9 7/8	8 1/8	ACM Gvt In	0.80	9.4	8	437	9 5/8	9 1/2	9 5/8	
7 3/4	6 1/2	ACM GvOpp	0.66	9.1		48	7 3/8	7 1/4	7 1/4	
7 1/2	5 3/4	ACM Gvt Sp	0.75	10.9		249	7	6 7/8	6 7/8	
8 3/4	7 1/4	ACM Gvt Se	0.90	10.4		294	u8 3/4	8 5/8	8 5/8	
9 1/2	7 5/8	ACM Man	0.90	10.3		773	8 3/4	8 5/8	8 3/4	+1/8
29 1/4	10 1/4	AcmeClv	0.48	1.9	12	229	25 3/4	25 1/4	25 3/8	+1/4
38 3/4	8 1/4	Acme Elect			78	285	9 1/2	9	9 1/8	-1/4
34 1/2	23 3/4	Acordia	0.72	2.9	12	5	24 7/8	24 3/4	24 7/8	-1/8
19 1/4	8 5/8	Actava	0.36	1.9	13	5154	19 1/8	18 3/4	18 7/8	+7/8
16 3/4	10 1/8	Acuson			32	102	12 3/8	12 1/4	12 3/8	
18 3/4	15 5/8	Adams Expr	0.48	2.5	0	390	u18 7/8	18 3/4	18 7/8	+1/8
38 7/8	24 5/8	AdvMic			8	12731	28 3/8	27 3/8	27 5/8	-1/8
9 3/8	5	Advest Grp	0.16	1.7	17	125	u9 1/2	9 1/8	9 3/8	+1/8
25 5/8	16 1/2	Advo Inc	0.10	0.4	20	770	25	24 1/2	25	+5/8
37 1/2	24 60	Aegon	1.28	3.4	20	14	37 3/8	37 1/8	37 3/8	
5 7/8	3 1/2	Aerfx			8	166	4 7/8	4 5/8	4 3/4	
75 1/2	46 3/4	AetnaL	2.76	3.8	52	3534	72 3/4	72 1/8	72 1/2	-1/8
44 3/4	31 7/8	Aflac	0.52	1.2	13	1316	43 1/2	43 1/8	43 3/8	-1/8
27 1/2	16	Ahmanson	0.88	3.2	17	20393	u28 3/8	27	27 3/4	+1 1/2
59 1/2	43 3/8	AirPrC	1.04	2.0	16	1662	53	51 7/8	52	-3/4
25 5/8	18 3/8	Airbne Frt	0.30	1.2	23	586	24 5/8	24 1/2	24 5/8	+1/8
[illegible]										

- A - (continued) - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S -

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Continued on next page

4 pm close October 18

NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close October 18

AMEX COMPOSITE PRICES

4 pm close October 18

AMERICA

Microsoft report lifts sector as Dow eases

Wall Street

Technology shares soared for the second consecutive day in early trading yesterday after a strong earnings report from Microsoft helped to reassure nervous investors about profitability for the sector, *writes Lisa Bransten in New York.*

Microsoft reported a 62 per cent rise in revenues for the fiscal first quarter after the market closed on Tuesday. In early trading, shares of the software giant – which is the largest company on the Nasdaq composite – were up 7 per cent or $6¾ at $97⅞.

The technology-rich Nasdaq composite gained 1.4 per cent or 14.34 at 1,049.78 by 1 pm, for a two-day rise of nearly 22 points. The Pacific Stock Exchange technology index added 2.6 per cent yesterday to the 3.6 per cent it gained on Tuesday.

Sun Microsystems, which surged $9¼ on Tuesday after reporting stronger than expected earnings, rose $5¾ yesterday bringing the shares to $73⅝. Intel, which also posted stronger than expected earnings on Tuesday, added $2½ to the $2⅞ it rose on Tuesday to put the semiconductor company at $68.

Meanwhile, the Dow Jones Industrial Average shed 7.94 to 4,788.00, mostly on weakness in cyclical issues. The Standard & Poor's 500 was up 2.04 at 586.82 and the American Stock Exchange composite was 0.42 lower at 536.35. New York SE volume had reached 240m shares.

Slipping cyclical issues in the Dow included Caterpillar, off $1¾ at $52¼. Aluminum Company of America, $1¼ lower at $50½, and General Motors, off $⅞ at $45⅝.

USAir added $¼ at $13⅞ after reporting earnings of 35 cents a share for the third quarter of this year compared with a loss of $3.32 a share for the same period last year.

American Airlines declined $1⅞ to $67 after reporting earnings per fully diluted share of $2.64 in this year's third quarter, against a year ago $2.27.

W.R. Grace shed more than 12 per cent or $8 to $57¼ after it reported that the government was investigating the company for possible illegal activities in its National Medical Care unit.

Canada

The Toronto market was weak in midday trade after Tuesday's late rally, and shares were expected to continue to have a choppy ride on continuing uncertainty over Quebec's separation referendum.

The TSE-300 composite index was 19.29 lower by noon at 4,496.31 in heavy volume of 35.1m shares.

Losing stocks included Alcan Aluminium, C$¾ off at C$39⅛, and Inco, down C$1¼ at C$43⅞.

High-technology issues saw some sharp gains. Corel, the software group, put on C$⅞ at C$22⅜ and Northern Telecom added C$¾ at C$47.

DMR edged C$⅛ higher to C$11⅜ as the board recommended that shareholders should not tender their shares to competing takeover bids from Amdahl Corp and BDM International.

SOUTH AFRICA

Industrials again attained record highs, while gold shares provided a contrast as they slipped to another four-month low. Brokers remarked that industrials had been gaining momentum during the past couple of weeks as investors assimilated better than expected macroeconomic prospects which had been prompted by a slowdown in inflation. The overall index rose 62.2 to an 11-month peak of 5,878.3, industrials made 90.3 to 7,516.3 and golds finished 0.4 softer at 1,382.5.

Latin American bourses steady

Mexico City was slightly weaker at midday following another increase in domestic interest rates. The IPC index slipped 0.98 to 2,304.21.

SAO PAULO was firmer at midsession, although concerns remained over President Fernando Henrique Cardoso's administrative reform proposal. The Bovespa index had gained 107 at 46,317 by noon. Turnover was R$186.2m ($194.3m). Worries emerged after a congressional committee, which had been due to vote on Tuesday on the reform proposal, delayed the vote until next week.

BUENOS AIRES was little traded during the morning session and by mid-morning the Merval index had added just 0.87 at 428.69. Traders said turnover remained lower than average.

CARACAS edged higher to close at another record high, helped by strong foreign institutional support. The Merinvest index rose 0.2 to 124.5 and the IBC index 0.5 per cent to 1,676.11. Turnover was 450m bolivars ($2.6m).

LIMA was supported on expectations of good third-quarter results from Telefonica del Peru which are due out in the next few days. The general index had hardened 0.3 per cent to 1,334.8 by mid-morning.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: October 13 1995	Dollar terms: % Change over week	Dollar terms: % Change on Dec '94	Local currency terms: October 13 1995	Local currency terms: % Change over week	Local currency terms: % Change on Dec '94
Latin America	(252)	476.97	-2.6	-17.8			
Argentina	(30)	677.53	-3.1	-7.7	415,696.37	-3.1	-7.8
Brazil	(72)	333.61	-0.1	-13.2	1,196.15	-0.1	-1.8
Chile	(36)	741.35	-0.5	-5.5	1,200.02	+0.2	-4.8
Colombia[1]	(16)	588.02	-2.8	-27.5	1,027.41	-2.1	-14.0
Mexico	(67)	438.89	-6.6	-27.8	1,271.66	-4.0	-1.5
Peru[2]	(19)	194.23	-0.7	+8.9	268.16	-0.5	+12.8
Venezuela[3]	(12)	522.23	+13.9	+5.5	2,036.29	+13.9	+5.5
Asia	(677)	236.16	-1.6	-5.3			
China[4]	(20)	65.61	-2.9	-13.5	68.91	-3.0	-14.9
South Korea[5]	(159)	145.80	+1.4	+6.6	147.25	+1.3	+3.9
Philippines	(25)	262.44	-0.8	-11.6	330.06	-0.7	-6.1
Taiwan, China[6]	(93)	113.55	-1.6	-30.9	114.65	-1.7	-29.3
India[7]	(101)	94.91	-1.8	-23.1	115.48	-0.8	-16.1
Indonesia[8]	(42)	109.50	+0.9	+9.8	134.63	+0.3	+13.1
Malaysia	(114)	262.94	-2.5	-2.2	246.90	-2.2	-2.5
Pakistan[9]	(36)	279.42	-3.8	-23.7	400.81	-3.8	-21.6
Sri Lanka[10]	(19)	106.87	-0.7	-37.9	120.77	-0.8	-34.9
Thailand	(68)	388.84	-0.7	+1.4	387.55	-0.8	+1.4
Euro/Mid East	(209)	137.40	+0.3	+16.0			
Greece	(40)	243.75	-0.5	+8.0	385.75	-0.9	+4.9
Hungary[11]	(5)	117.26	-6.3	-22.7	185.27	-6.4	-10.3
Jordan	(8)	182.88	-2.0	+21.9	274.59	-2.0	+23.5
Poland[12]	(16)	435.63	-6.3	-7.1	672.40	-6.1	-6.6
Portugal	(27)	118.10	-2.0	-2.4	121.87	-2.0	-8.0
South Africa[13]	(64)	241.88	+1.3	+7.6	182.70	+1.2	-3.4
Turkey[14]	(44)	133.02	-3.3	+9.3	3,170.13	-2.1	+43.3
Zimbabwe[15]	(5)	262.50	+0.8	+7.3	346.60	+2.1	+15.0
Composite	(1138)	275.81	-1.3	-10.3			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 5 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10)Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 4 1989; (15)June 2 1993.

Pakistan's equity market in Karachi was closed yesterday as the Mohajir Qaumi Movement, the city's most powerful political party, called a general strike. The city has been suffering violent clashes between the security forces and MQM for many weeks, and there have even been warnings recently that the city could be sliding into anarchy. The violence has had a serious effect, not only on the business life of the city but also on the country's economy, analysts say. Foreign investors have been deterred from investing, and the stock market is now largely dominated by domestic activity. On Monday the KSE-100 index fell more than 3 per cent, although it staged a technical recovery on the first day of the new account during the following session. Over the year to date the market has lost more than 20 per cent in dollar terms.

● The Securities and Exchange Board of India published draft guidelines on Tuesday for the formation of a share depository system. The reform of the existing system of share settlement, which is paper-based and cumbersome, is likely to attract more foreign investors into the country's equity markets. The SEBI proposed the creation of one central depository, which would have the authority to clear inter-depository trades. The SEBI hopes the guidelines will be turned into regulations "as soon as possible".

EUROPE

SAP disappoints high-tech enthusiasts

Better than expected US trade figures gave the dollar, and bourses, a lift, *writes Our Markets Staff*. However, there were reminders that the medium term downtrend in the US currency, and currency volatility elsewhere, were doing a lot of damage to earnings forecasts.

FRANKFURT fielded the third-quarter results from SAP, the computer software phenomenon which topped a list of outperforming European high-tech stocks this year with a share price gain of 165 per cent by the end of September.

SAP's 59 per cent rise in turnover was in line with, or better than, expectations but the 47 per cent gain in operating profits, to DM385m, left them DM35m to DM55m below consensus forecasts. The company said that currency translation losses cost it DM25m over the period.

The shares fell DM10 to DM212 after an early low of DM201. Ms Jadwiga Bobrowska at Merck Finck in Düsseldorf said that the group's effective forecast of DM4 a share for DVFA earnings in 1995, against her own figure of DM4.20, had reminded the market of SAP's medium term attractions.

The Dax index advanced 9.95 to 2,195.47, turnover rising from DM5.5bn to DM6bn. Lufthansa fell DM3.50 to DM192.50 after it said that currency losses had slowed its net revenue growth in the first eight months of 1995.

PARIS finished with the CAC-40 index 9.08 lower at 1,770.66.

Michelin, off FFr2.50 at FFr200.50, was affected by a downgrade from Paribas Capital Markets which cut its rating from "buy" to "neutral". The broker said that it was concerned about the deterioration of the European tyre market and, in particular, the replacement sector from which Michelin derives most of its profits. Paribas cut its earnings estimates for 1995 from FFr21.80 a share to FFr18.20 and from FFr26.60 to FFr22.80 for 1996.

Thomson-CSF eased 50 centimes to FFr99.40 on news that it had swung into profit for the first time in two years. SGS-Thomson, the semiconductor producer in which Thomson-CSF holds a 20.2 per cent stake, rose FFr3.50 to FFr224.50; it said that it was to make a public offer of 18m shares at $43.50 per share in the US, and FFr216.43 in France.

Bouygues lost FFr22 or 4.2 per cent to FFr500 as investors reacted with disappointment to the news released late on Wednesday of a small gain in its first-half profits.

MILAN welcomed the first day of the new account, after the sharp downward pressure of the past month, and the Comit index picked up 5.26 to 586.40.

Olivetti, however, remained weak, losing L15 to L1,239 as the company said that Tuesday's sharp fall – down 9 per cent at one stage – was the result of a mistake by a trader in entering a deal.

Mr Fausto Covolan at Cimo, the Italian arm of ABN Amro Hoare Govett, noted that the shares were likely to remain under pressure ahead of the rights issue. However, on fundamentals, the stock seemed undervalued.

Gemina rose L23.1 to L660.7 in spite of disappointment at the postponement of the RCS board meeting on Tuesday, while a L89.9 surge in Ferruzzi to L945.7 was said to be a technical rebound.

ZURICH resumed its run after Tuesday's pause, the SMI index rising 23.1 to set another high for the year at 3,135.4.

Sulzer registered, up SFr12 at SFr742, continued a strong technical rebound after underperforming the market in recent sessions.

AMSTERDAM made its first forward move of the week with a rise in the AEX index of 1.20 to 457.77. Philips again provided much of the interest among the blue chips, but an early gain to the session high of Fl 72.50 was not sustained and the stock ended Fl 1.20 ahead at Fl 71.70.

NORWAY featured a 15.3 per cent surge in Hafslund Nycomed on confirmation of the rumoured merger of its healthcare businesses with those of Ivax Corp, of the US. Hafslund's B shares jumped NKr27 to NKr203 as the total index picked up 10.12 to 741.37.

Shares in Orkla, the food and chemicals conglomerate, hit a third successive high for the year following its announcement of a beverage joint venture with Volvo, of Sweden, climbing NKr9 to NKr320.

STOCKHOLM enjoyed Ericsson's response to overnight US gains in high-tech stocks, the B shares rising SKr3 to SKr155.50, and a SKr6.50 recovery to SKr255.50 in Astra A, partly lifted by the Hafslund/Ivax deal. The Affärsvärlden General index closed 14.5 higher at 1,806.5.

HELSINKI saw "excellent" results from the forestries sector, but it had expected those, and Repola and Kymmene fell FM2.70 to FM87 and FM4 to FM121. However, the Hex index rose 11.92 to 2,098.72.

VIENNA offered a token recovery, the ATX index rising 11.60 to 913.31; but Radex-Heraklith fell Sch13 to Sch301 after the holding company said it would delist its two operating units, in insulation and refractories, and offer investors a share swap into the parent.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Oct 18 Hourly changes	Open	11.30	12.00	12.30	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1402.66	1403.46	1403.41	1404.24	1405.33	1409.88	1412.09	1412.52
FT-SE Eurotrack 200	1525.28	1525.17	1523.82	1524.07	1527.49	1532.49	1532.33	1531.34

	Oct 17	Oct 16	Oct 13	Oct 12	Oct 11
FT-SE Eurotrack 100	1406.73	1410.59	1421.48	1405.03	1396.12
FT-SE Eurotrack 200	1525.02	1522.47	1531.58	1514.08	1508.53

Base 1000 (26/10/90); High/day: 100 - 1413.17; 200 - 1535.03 Low/day: 100 - 1402.43 200 - 1519.22 † Partial

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

Wellington gains 2.5% after interest rate cut

Tokyo

Buying by public funds offset profit-taking and technical selling prompted by the dollar's fall below the Y100 level and the Nikkei average closed only marginally lower, *writes Emiko Terazono in Tokyo.*

The 225-share index lost 20.63 at 17,895.97 after moving between 17,746.41 and 17,917.60. Selling by US fund managers and domestic exporters depressed the dollar against the yen. The US currency breached Y100 for the first time since October 6, and this led to selling of currency sensitive issues.

Volume totalled 261m shares, against 309m. The Topix index of all first section stocks shed 6.66 to 1,424.95 and the Nikkei 300 eased 0.97 to 267.14. Declines led rises by 654 to 329, with 197 issues unchanged. In London the ISE/Nikkei 50 index edged up 0.89 to 1,213.16.

Traders said public fund managers placed buying orders at the lower levels, underpinning the market. Some domestic institutions had also indicated their desire to buy shares around the 17,500 level.

Shipping companies, with profits denominated in dollars, were hit by the US currency's decline. The sector fell 1.5 per cent. Nippon Yusen, which gained ground during the dollar's ascent during the summer, fell Y6 to Y558 and Navix Line Y5 to Y242. Steels receded 1.4 per cent. Kawasaki Steel dipped Y6 to Y354.

Kenwood, the audio equipment manufacturer, fell by its daily limit of Y100 to Y545, leaving net selling orders of 2.9m shares. Investors were discouraged by the company's warning that it would fall into the red for the year to next March and that it planned to forego dividend payments.

Banks were mixed, the sector losing 0.6 per cent. Daiwa Bank gained Y15 to Y680 on short-covering in spite of reports that its shareholders were planning to take legal action against the bank's board members for its New York branch's huge losses.

In Osaka, the OSE average fell 90.20 to 19,315.30 in volume of 23.4m shares. Nintendo, the video game maker, shed Y100 to Y7,100 and Murata Mfg, the machine tool manufacturer, slipped Y90 to Y3,500. Rohm, the semiconductor device producer which had been sold last week, rallied Y110 to Y6,070 on buying by overseas investors.

Roundup

A fall in interest rates supported **WELLINGTON** and the NZSE-40 capital index raced ahead 53.40 points or 2.5 per cent to 2,195.44, the highest close since March 1994.

Turnover was heavy at NZ$129m. Telecom was one of the best movers, advancing 17 cents to NZ$6.38.

HONG KONG saw a session of consolidation after four consecutive days of rises and the Hang Seng index lost 59.23 at 9,973.70, after ranging from 9,957.99 to 10,056.69. Turnover was little changed at HK$4.4bn.

Brokers said the index bounced above 10,000 on late local buying before derivatives-linked foreign sell orders regained the upper hand.

Cheung Kong, the property giant, rose 40 cents on late buying before closing a net 30 cents down at HK$43.90.

SINGAPORE was slightly firmer in low volume and the Straits Times Industrial index finished 5.51 higher at 2,104.89.

Inno Pacific, the loss-making food and paper company, picked up 12 cents to 71 cents as brokers speculated that the buyer of one block of 11.6m shares at 60 cents could be a Malaysian businessman who was rumoured to be accumulating shares.

TAIPEI was easier following selling in the plastics and electronics sectors. The weighted index fell 47.93 or 1 per cent to an intra-day low of 5,033.07. Turnover was T$22.6bn.

The plastics sector fell by 2.6 per cent, with Nan Ya Plastics down 4.6 per cent or T$2 at T$41.10. Electronics and constructions lost 1.1 per cent and 1.4 per cent respectively.

KUALA LUMPUR saw a technical bounce, led by motor and property stocks which took a beating on Tuesday after Bank Negara's move to tighten credit on car and house loans. The composite index ended 0.86 better at 946.72.

But analysts said sentiment was still clouded by rising interest rates following continued intervention by the central bank in the money market.

SHANGHAI's hard currency B index rallied after the solid losses of the previous four days, although many investors remained cautious ahead of tomorrow's listing of 110m shares by Inner Mongolia Erdos Cashmere Products. The B index firmed 0.247 to 56.631. **SHENZHEN's** B shares picked up 0.16 to 71.35 after the official press said the exchange would implement a series of measures next Monday to revive the local B share market.

SYDNEY edged ahead, but investor enthusiasm was dampened by a disappointing September production report from BHP, down 12 cents at A$18.04. The All Ordinaries index rose 2.5 to 2,111.4 in volume of 194.5m shares.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of lines of stock)	TUESDAY OCTOBER 17 1995: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY OCTOBER 16 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (82)	184.74	0.1	174.03	117.20	136.08	162.32	0.0	4.00	184.55	173.58	117.01	136.20	162.28	191.01	157.95	168.99
Austria (27)	168.11	-2.3	158.36	106.64	123.82	123.74	-2.5	1.36	172.05	161.92	109.05	126.97	126.90	199.28	167.48	187.45
Belgium (35)	192.35	0.0	181.20	122.03	141.68	138.32	-0.2	3.78	192.41	180.98	121.39	142.00	138.57	201.12	164.78	172.12
Brazil (28)	150.59	1.1	141.86	95.53	110.92	265.53	1.1	1.59	146.96	140.55	94.41	109.83	262.68	-	-	-
Canada (100)	143.86	-0.1	135.52	91.26	105.96	139.45	0.0	2.67	144.03	135.47	91.32	106.25	139.51	160.63	121.81	137.01
Denmark (33)	282.90	-0.5	266.50	179.47	208.38	211.70	-0.5	1.55	284.23	267.37	180.22	209.79	212.79	295.99	236.61	260.14
Finland (25)	248.92	-1.2	234.49	157.91	183.35	224.25	-1.3	1.43	251.92	236.94	159.72	185.31	227.14	276.11	171.13	197.13
France (100)	170.20	-0.8	160.33	107.97	125.36	132.65	-0.5	3.31	171.55	161.35	108.76	126.50	133.36	191.17	157.79	171.20
Germany (59)	160.82	0.5	151.50	102.03	118.46	118.46	0.3	2.02	160.05	150.54	101.48	118.11	118.11	167.74	135.39	147.05
Hong Kong (55)	389.39	0.1	366.82	247.03	286.82	388.51	0.1	3.76	388.89	365.77	246.56	287.00	385.99	391.00	277.40	383.84
Ireland (16)	247.63	-1.0	233.34	157.14	182.45	217.16	-0.7	3.47	250.11	235.25	158.58	184.58	218.79	250.55	195.34	213.65
Italy (59)	70.88	-1.1	66.78	44.97	52.21	84.68	-1.2	1.60	71.67	67.41	45.44	52.89	85.75	82.71	65.45	79.50
Japan (483)	144.27	-0.1	135.91	91.52	106.27	91.52	0.0	0.83	144.38	135.80	91.54	106.55	91.54	164.82	136.95	162.37
Malaysia (108)	463.71	-0.6	436.83	294.17	341.57	450.58	-1.4	1.82	466.45	438.73	295.74	344.24	456.77	562.09	338.16	562.09
Mexico (18)	990.23	-0.8	932.83	628.19	729.38	7308.00	-0.3	1.90	998.03	938.73	632.79	736.55	7365.96	2302.03	547.81	2302.03
Netherland (19)	256.10	-0.3	241.26	162.47	188.64	165.48	-0.4	3.52	256.79	241.52	162.81	189.51	166.35	253.99	207.60	219.75
New Zealand (14)	79.86	-0.2	75.23	50.66	58.83	64.43	0.1	4.43	80.05	75.29	50.75	59.08	64.35	85.49	69.56	73.94
Norway (33)	236.20	-0.3	222.50	149.84	173.98	200.00	-0.4	2.11	236.97	222.79	150.18	174.81	200.75	243.79	192.92	210.24
Singapore (44)	369.02	-0.3	347.65	234.10	271.82	242.33	-0.2	1.69	370.10	348.10	234.65	273.13	242.75	414.26	313.94	396.92
South Africa (45)	363.28	0.3	342.22	230.46	267.59	290.07	0.3	4.02	362.28	340.72	229.67	267.34	289.33	363.28	281.06	326.35
Spain (38)	148.59	-0.4	139.98	94.26	109.45	138.02	-0.3	4.09	149.12	140.32	94.59	110.10	138.46	160.51	124.10	144.99
Sweden (48)	311.44	0.0	293.39	197.58	229.41	318.67	-0.6	1.37	311.40	292.89	197.43	229.81	320.56	320.43	225.80	238.56
Switzerland (41)	221.85	0.1	208.99	140.74	163.41	157.91	-0.1	1.63	221.73	208.55	140.55	163.63	158.00	221.85	158.58	168.95
Thailand (46)	167.19	-0.6	157.50	106.07	123.15	162.37	-0.6	2.50	168.20	158.20	106.64	124.13	163.86	-	-	-
United Kingdom (207)	226.22	0.0	213.10	143.51	166.63	213.10	0.1	4.01	226.23	212.84	143.47	167.00	212.84	227.07	187.07	203.79
USA (503)	240.37	0.6	226.43	152.49	177.05	240.37	0.6	2.45	238.96	224.76	151.50	176.35	238.96	240.37	182.33	191.39
Americas (649)	219.44	0.6	206.72	139.21	161.64	184.13	0.6	2.45	218.23	205.26	138.36	161.05	183.11	-	-	-
Europe (740)	194.50	-0.2	183.22	123.39	143.26	163.97	-0.2	3.07	194.82	183.24	123.52	143.77	164.24	199.02	163.04	178.67
Nordic (139)	287.09	-0.3	270.45	182.13	211.46	248.25	-0.7	1.77	287.96	270.85	182.56	212.50	249.92	295.02	215.79	232.16
Pacific Basin (832)	155.15	-0.1	146.16	98.43	114.29	102.12	-0.1	1.28	155.28	146.05	98.45	114.60	102.19	173.52	145.93	171.70
Euro-Pacific (1572)	171.45	-0.1	161.51	108.77	126.29	125.49	-0.1	2.13	171.56	161.45	108.83	126.68	125.62	178.33	154.73	173.25
North America (603)	234.40	0.6	220.81	148.70	172.65	233.62	0.6	2.46	233.09	219.22	147.78	172.02	232.31	234.40	176.86	188.01
Europe Ex. UK (533)	172.38	-0.2	163.33	109.99	127.71	137.24	-0.3	2.53	173.50	163.47	110.19	128.26	137.80	179.46	146.45	156.81
Pacific Ex. Japan (349)	258.00	-0.1	243.05	163.67	190.04	225.97	-0.2	3.25	258.24	242.89	163.73	190.58	225.50	266.72	211.19	262.55
World Ex. US (1763)	172.52	-0.1	162.52	109.44	127.07	129.09	-0.1	2.17	172.70	162.44	109.50	127.45	129.21	178.73	155.42	175.18
World Ex. UK (2059)	190.14	0.2	179.11	120.62	140.05	156.14	0.2	2.09	189.79	178.50	120.33	140.06	155.87	191.32	163.46	177.17
World Ex. Japan (1783)	220.69	0.2	207.90	140.00	162.56	205.67	0.2	2.76	220.16	207.07	139.58	162.47	205.15	220.96	178.05	190.68
The World Index (2266)	193.29	0.2	182.08	122.62	142.37	161.12	0.2	2.28	192.97	181.50	122.35	142.41	160.84	194.25	165.92	179.52

Latest prices were unavailable for this edition.